Capital Investments in Canada

Some Facts and Figures Respecting one of the Most Attractive Investment Fields in the World.

By

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Prefatory Note*

No better service can be performed for Canada than to make truthful statements from time to time regarding her industrial position and the industrial possibilities arising out of her natural resources. I am, therefore, sure that the publication in book form of Mr. Field's articles in *The Monetary Times* will be most useful. It is not often that an abundant supply of information on such a wide range of subjects connected with the development of Canada has been brought together in such a small compass. In saying this I do not necessarily endorse his opinions or statements of fact further than to express the conviction that the intention of the series of articles is to set forth fairly the opportunities afforded to the investor by this country.

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Author's Note

In the following pages will be found the first authoritative and approximately correct data regarding the investment of British, American and foreign capital in Canada. While naturally open to some revision, the claim may be made safely that no pains have been spared to make it of commanding value and accuracy to bankers, financiers, investors, industrial and commercial interests. The subject has rapidly become one of considerable and general importance, the development of the Dominion depending so largely upon the introduction of capital from abroad. It is also one of the most attractive phases of the upbuilding of a nation, which is diverting streams of capital and labor from their old channels in five continents.

Many authorities have been quoted in this volume in order that the greatest possible information on the subject of investments in Canada may be contained between these covers.

FRED. W. FIELD.

Toronto, September, 1911.

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CHAPTER I.

BRITISH INVESTMENTS IN CANADA.

In a little more than six years, January, 1905, to April, 1911, Great Britain has loaned Canada at least $890,805,626. These figures are the best possible reply to the complaint sometimes heard that Great Britain is not taking sufficient financial interest in Canada. Its entire railroad system, for instance, has been financed practically from first to last by the British investor. The following table gives the approximate division of the past six years' investments:—

Canadian bank shares purchased by individual shareholders	$ 1,125,000
Investments with loan and mortgage companies.	8,725,000
Canadian bank shares purchased by a London house, (public flotation of £100,000 omitted)	550,000
British insurance companies' investments	9,854,000
Municipal bonds sold privately	12,000,000
Industrial investments	26,375,000
Mining investments	57,555,500
Land and lumber purchases	34,000,000
Purchases of town and city property	8,525,000
Canadian public flotations in London (January 1905 to April, 1911)	732,096,126
Total	$890,305,626

Mr. George Paish, the eminent London financial statistician, states that British capital has been invested in Canada to the extent of £372,000,000. It is practically impossible to check this sum, but it is safe to accept the estimate of Mr. Paish, who not long since lectured

on the advantage to borrowing countries of importing capital. The young country, he says, requires to do all those things which in older countries have been gradually performed through the centuries, and it desires to do those things quickly. The rapidity with which things move in a young country is so astonishing to those accustomed to the slower progress of the older countries that it is difficult for the two kinds of countries to understand each other. Persons living in the older countries cannot and do not believe that the growth in the young countries is as rapid as it is said to be.

In view of the rapidity of its progress a young country needs all its savings for the construction of houses, for the breaking up of virgin land, the building of roads, the building of factories, etc., and has not the means of constructing the more expensive works required to develop its resources.

Hence the opportunity, continues Mr. Paish, given to the older countries to provide a portion—indeed, often the larger portion—of the capital needed for the construction of expensive works, such as railways, drainage systems, waterworks, gas and electrical installations, street railways, and similar undertakings, which offer special attractions to foreign capital is willing to invest at a lower rate of interest and dividend than can be earned by native capital employed in trade, industry and house construction.

The importation of this foreign capital, he concludes, sets free the growing savings of the young countries for the rapid extension of their industries. Further, the young countries attract large numbers of immigrants who possess no capital, and in order to render this additional labor productive the new countries need a much larger quantity of capital than they themselves possess. In brief, the importation of capital by

the young countries enables them to construct those great works of public utility, without which their natural resources could not be developed, to secure and to employ profitably a great amount of cheap labor from the older lands, to use their own capital in industries where the return is high, and to employ their own labor in the most profitable manner.

The figures relating to Canada, showing what we have borrowed from Great Britain in six years, from January, 1905, to April, 1911, inclusive, are an excellent argument for the continuance of strenuous efforts to maintain Canadian credit in London. As Mr. K. D. Freiburg, a German economist, has stated, two points should always be particularly regarded by the investor —the occasion of the issue and the country in which it is made. At a period when the money market is tight it is no use making the position worse with foreign issues. Again, the securities of any country which do not offer an absolute guarantee that it will fulfil its obligations should be avoided.

The following table shows the remarkable increase in Canada's public flotations in the London market in the period under review:—

Year.	Amount.
1905	£ 13,530,287
1906	6,427,500
1907	11,203,711
1908	29,354,721
1909	37,411,723
1910	38,453,808
*1911	13,945,997
	£150,327,747

*Four months.

The aggregate Canadian public issues overseas for the first four years, 1905 to 1908, was £60,566,219, and

for the next two years, 1909 and 1910, £75,865,531. So that in the past two years we have obtained £15,299,312 in excess of the sum raised during the previous four years. In 1910 we borrowed in London almost three times as much as in 1905. In the first four months of 1911, Canada's loans in Great Britain were considerably more than one-third of the previous year's total.

The continued influx of capital will likely be to some extent a diversion from other channels. For this reason the British investor need not seek. The offerings go to him. At present many media exist through which money from abroad can help turn our wheels, unclothe our mineral soil and dress up our fruit lands. Consequently, other channels may carry smaller streams on account of Canadian attractions. Yet it should be possible to interest to a small extent at least new British capital. Had it not been for one or two unfortunate Canadian flotations in London, Canadian credit there would have stood even higher than it now does.

In addition to British corporations and individuals with large sums of money to place, the man desiring to invest the proverbial nest-egg—not properly nested—should be interested in Canadian offerings. The railroads of Canada have as shareholders individual investors on many continents. The shares of the Canadian Pacific are very widely held. Canada's financial institutions have interested large sums of capital. Several companies in course of formation have brought in English money to help the initial stages of promising promotions. In some cases the proposed company has been sufficiently attractive to induce British capital to buy outright.

No doubt is there that Canada as an investment field is one of the most attractive of the present time. It is a new country, with all before it. The personality of most

of those who are guiding its destinies is marked with energy and confidence in their country's future. This spirit is the birthright of those whose cradles are rocked in Canada. It is a gift to others who have adopted Canada as foster mother. Progress has been enough in Canada to allow capital to feel comparatively safe here. Sufficient nation building has been accomplished to banish grave capital risks that exist in many other countries. The building which remains to be done will insure the obtention to capital of adequate return.

Canada has cultivated the investor abroad. To some extent, he has come of his own accord. Of recent years, the invitation has been more emphatic. Demonstration has backed it up. No longer should it be possible for the fakir to trade with spurious Canadian goods. When ignorance of Canadian conditions was common, the unscrupulous magnetized time and again British money into dangerous, unremunerative and fraudulent channels. The legitimate Canadian investment is being shown now in its true colors. The British investor should shortly be in a position to judge accurately of its value.

Lord Milner has pointed out that Canada is learning to realize that in future the markets all over the world will compete keenly for surplus capital. By virtue of its resources, the position the country occupies at present and the place it will take, capital will naturally turn to the Dominion. It must be fairly magnetized by governments, by financial and commercial interests, and by municipal authorities. To invite it with soft tongue only to deal a hard body blow, is not a policy calculated to help build a country. The apparent omnipotence of legislatures throughout the Dominion must be used in the right direction. Otherwise, the country will witness needed capital being turned into all channels except the desired. The maintenance of Canada's excellent credit

in London is one of the most vital factors in Canadian finance to-day.

The financial and industrial outlook in Canada is excellent. Strong and conservative men appreciating sound finance, keen-sighted captains of industry and enormous wealth in natural resources make a firm foundation for Canada's economic fabric.

The following table shows the division of the large amount, £150,327,747, publicly loaned in London for Canadian development each year:—

Year.	Railroads.	Government.	Industrial.
1905	12,117,287	....	1,010,000
1906	2,925,000	1,200,000	802,500
1907	7,050,769	1,500,000	1,220,000
1908	8,985,800	13,719,400	2,344,000
1909	15,359,953	14,337,500	2,932,508
1910	8,818,000	12,000,000	3,608,847
*1911	3,948,097	1,400,000	2,516,900
Total	59,204,906	44,156,900	14,434,755

Year.	Municipal.	Mining.	Land and Lumber	Financial.
1905	73,000	325,000	....	....
1906	....	300,000	700,000	500,000
1907	822,942	320,000	290,000	....
1908	3,930,521	....	....	375,000
1909	2,109,500	2,136,522	474,600	61,140
1910	3,079,400	4,452,200	4,800,100	1,695,261
*1911	2,606,000	600,000	1,625,000	1,250,000
	12,626,363	8,133,722	7,889,700	3,881,401

* Four months.

That Canada owes a large debt for its growth in railroad facilities is seen in the fact that in little more

than six years it has obtained £59,000,000 for that purpose. Government loans have been nearly as heavy with a total of £44,000,000, while industrial flotations are third with £14,000,000. Municipal borrowing has also been heavy, the aggregate being £12,000,000. Mining, land and lumber and financial classes together aggregate less than half the sum represented by federal and provincial government loans and about one-third of the railroad total. The smallest British investments are in the land, lumber, mining and financial securities. Most of the Dominion's railroad financing, as is seen, is done in Great Britain. In one case, late in 1909, while Kansas City financiers were backing a new railroad for Alberta, their money was obtained by means of a public flotation in London.

In addition, a sum of about £8,000,000 was raised for enterprises controlled or partly so by Canadian interests, but whose properties were in other countries. These included the Mexican Consolidated Electric, Rio de Janeiro Tramway, Light and Power, Monterey Railway, Light and Power Company, and the Mexico Tramways Company.

One of the most striking factors in Canada's growth is its industrial progress. The small sum invested by Great Britain in this class is insignificant compared to the millions of dollars sent into the Dominion for that purpose by the United States. Some impatience, to a large extent unreasonable, has been exhibited at the lack of monetary interest on the part of the British investor in Canada's industrial movement. The figures showing our heavy borrowings from Britain in six years for other than industrial purposes will tend to tone this somewhat unjust criticism. Great Britain is putting its hand in one pocket, the United States into another. Both are lending handsomely to Canada and both receive good returns.

A Western Canadian, Mr. Schlanders, of Saskatoon, has given me some interesting opinions on this particular phase. The Americans, he says, immediately recognize the merits of a sterling proposition, and are alive to the fact that good things are quick things, that things which will wait indefinitely are sometimes not worth while. They do not ask for long term options on various propositions and expect to get such considerations free of charge. This gentleman, and many think similarly, says that on the other hand the Britisher often writes a letter when he should cable, and resents having to pay for an option. Desiring a free option, a charge for it he considers an imposition. "It is frequently cheaper, safer and more profitable to devote time to Americans, with whom business is easy," continues my correspondent. "This may be explained by the British attitude towards almost everything save bonds and other small earnings but gilt-edged certainties. A large English company desired an offering of a block of property. They wanted a long, free option. The option paper was to be signed, sealed and witnessed; attested before an attorney and vised by the British Consul in New York, through which city the offer was to be made, the matter being handled by a New York firm of brokers."

He suggests that this is a roundabout route in view of the fact that the Canadian chartered banks and other reputable agencies, several of which have branches in the Old Country, are willing to act in the matter of deals, options, etc. He refers more particularly to large investments in lands, timber limits, etc., and thinks that unnecessary obstacles are placed in the way of larger business. To some extent this is true, but Canada cannot afford to complain bitterly in view of the foregoing figures. On the other hand, a closer cultivation by Great Britain of American business methods relating to Cana-

dian industries and commerce would probably induce them to invest further in these lines, with less delay in business transactions, at the same time obtaining good security.

A fairly large proportion of the Dominion Government borrowings in England of late years has been for the purpose of expanding or renewing old loans. The sums thus represented would naturally have to be deducted from the total amount of British capital coming into Canada, as renewals would remain in England. The figures have been included in the estimate, the money having actually been raised in England on Canada's behalf.

The amounts placed in the various classes of investments are analyzed in subsequent chapters.

Investments to the extent of $8,725,000 have been placed with Canadian loan, mortgage and trust companies. The smallest amount invested was $20,000 with a new trust compan· The largest individual sum exceeded two and a hai .llion dollars. The most striking feature of this class . ; that practically all the money invested has come from Scotland. Several companies have unsuccessfully endeavored to introduce English capital. A small percentage came from Ireland. Edinburgh is the central loaning point for this class in North Britain. What little money has come from England has been sent largely by former Canadians residing there. In Scotlan.' investments in loan and mortgage companies' de'.entures are popular. One company states that in c:rtain cases, while the capital is fairly well distributed throughout Great Britain, there is no doubt that, if it is not all actual Scotch money, "it is Scotch credit." Probably only 2 per cent. of the total comes from continental Europe.

Taking the figures of the Canadian company which has interested most money in these securities it is found that during the five years only 7 per cent. of its total has come from any source in Great Britain outside of Scotland. Here again, of the 7 per cent. much has come through a Scottish connection. From time to time efforts have been made to interest more particularly the London market and some of the larger lending corporations, such as insurance companies in that metropolis.

Nearly all efforts so far have proved ineffectual. Generally speaking, there appear to be in the minds of English financiers two arguments against loan corporation debentures. First, they are not listed on any stock exchange, and cannot, therefore, be disposed of as are other bonds. Second, a great part of the English investing public like something in which there is a possible chance of profit, a factor which, alike with the hazard of loss, is usually absent from the loan company's proposition. It is suggested that if a standard company chose to make a large issue of debentures payable in, say, twenty years, and went to the expense of having the securities listed in London, they might finally be absorbed in that market. Apparently none of the purely Canadian companies have taken this step. They seem to be bound by a curious rule of practice to a limit of five years in their debenture issues.

The Scotch have been interested in debentures and land mortgages for many years. These investments have appealed to the man of comparatively small means, as the borrowers seek loans of £500 to £2,000 rather than big blocks, and for the reason that they are for fixed periods, and are, therefore, more easily arranged on maturity. Loans falling due in five years are invariably renewed, and there are several millions of Scotch money on short loan in Canada. These loans on debenture find

acceptance from the fact that they give the lender little trouble. There are no broker's fees or expense to the lender, either in investing or realizing the investment. At the end of each five years the investor, if he desires, can obtain repayment of his investment at par, and is not dependent on the fluctuations of the Stock Exchange, as in the case of stocks.

The British insurance companies which transact business in Canada have invested in this country by the purchase of various securities and of real estate approximately $31,460,837. Comparing these companies' total investments at the end of various years, it is found that their approximate investments in Canada for the six years period under review are $9,854,000.

To gather reliable statistics regarding British investments in industrial propositions has been the most difficult task, largely because only a small amount is represented. Upon the figures collected it is reasonable to estimate the investments in this class for the six years at $26,375,000. If anything, it errs on the conservative side. The total does not include the amount represented in the Canadian public flotations. Pulp and paper concerns in British Columbia and the Maritime Provinces are responsible for a fairly large amount. Four of these in New Brunswick account for $1,300,000 of capital. A large pulp company is located in British Columbia with holdings valued at approximately $5,000,000. About $1,000,000 of Old Country capital is invested in salmon canneries in our Pacific coast province. The British Columbia Electric Railway Company is almost entirely financed by British capital, its total investment representing a large amount. Only a nominal sum is held on the Pacific coast. This company has made public flotations in London.

British investments have been made to a moderate extent in Canadian cotton mills and textile companies, while about $30,000 is invested in apple warehouses along the Dominion Atlantic Railway and others are being purchased. London houses take a part interest in these buildings, the builder taking the rest. A small amount is placed in chemical companies. The details gathered in this class were obtained on the condition that the names of the individual companies be not published.

Commenting on the keen appetite of the United States capital for industrial investments, Lord Strathcona recently ventured the assertion that the aggregate debts of the Dominion and provincial governments and municipalities, the bonds and preferred stocks of the railway companies, and British investments in well-established industrial, electrical and power enterprises, placed against the total American capital invested in Canada would show a preponderance of the former. This is proved to be so by the above estimate. One hears, said Lord Strathcona, more of American capital than British, because our cousins from the United States come into Canada and buy a lumber proposition, a mine, a commercial enterprise, or start a branch of some of their own enterprises in one of the provinces. In these cases they go to the country themselves and look after the business in which they are interested, and obtain much publicity. English capital is usually invested in an entirely different way. The investors remain quite satisfied if their moderate interest and dividends are forthcoming at the proper time, and their loans are met at maturity. As a matter of fact, the methods of investing British money and of American money in Canada are on an entirely different basis, and this must be borne in mind when the question is discussed.

The line of demarcation between British and American capital investments is quite distinct. The American, always with an eye to investing money for large returns, is quick to see the opportunities that have been embraced in the Western States duplicated in British Columbia. These are principally mining and lumbering and timber, with some colonization propositions. Ten years ago, when the export of timber was prohibited from the province, the American promptly came to British Columbia and started mills. He saw good investments. When mines were discovered, he was on hand in the Kootenay and Boundary districts, took risks, and ultimately sold to British capital.

American and British capital are about equally divided in mining interests, although in many cases the American has been the first purchaser, later selling to British buyers. The Porcupine, Ontario, gold camp was a notable exception.

CHAPTER II.

AMERICAN INVESTMENTS IN CANADA.

The lack of British participation in Canada's industrial development has been frequently remarked. The criticism has taken the line that Great Britain should help more in this way. The fact has not been remembered always that Canadian railroad development has been backed by millions of British money, while London has been a large purchaser of Canadian Government and municipal bonds and industrial bonds. These in the aggregate compare well with the total United States industrial development in this country.

The criticism might perhaps take another line—that of suggestion. The British investor hitherto has been most content to invest in Canadian securities which bring him a small return, give him little risk and secure him no control. Bonds and preference shares are his chief Canadian investment fare. With United States interests it is entirely different They can see now being repeated on this side of the border line the remarkable story of development which attaches to their own country. Not content to sit at home, they do not give the other fellow their capital, receiving one-third or less of the profits. After a personal visit to the field, they either stay there or leave behind their control and money. In certain industrial lines, the United States have gathered their own investment fruits. Britain has left the gathering to some

one else and has had to pay the middleman. It is a question as to whether four per cent. and no worry is better than eight or ten, and t' comparatively trifling worry as to the future of a country such as Canada.

It is only natural that Canada should depend largely on outside help for the financing of its development. Boston and Philadelphia are indulging in self-praise, stating that their enterprise and capital assisted materially in developing Canadian asbestos properties. Notwithstanding that Canadian banks have about two hundred million dollars on deposit in New York, Canadian industrial development seems to attach more naturally to Philadelphia, Boston and London. It was Philadelphia capital which developed the water-power and industries around Sault Ste. Marie. It was Boston capital and enterprise which developed the Dominion Coal Company, the Dominion Iron and Steel Company and the Shawinigan Water and Power Company.

The United States have at present a keen appreciation of industrial opportunities in the Dominion. Their channels of information have been more numerous. For instance, the Americans maintain nearly 150 consular agents in Canada. Until recently there was but little government machinery in that country to keep British interests in touch with the same opportunities and to give Great Britain the same advantages, in the way of information, as enjoyed by the States. The appointment of Mr. Richard Grigg as British Trade Commissioner to Canada in 1906 and his small staff of eleven correspondents is already bearing excellent fruit in this direction.

The following is an approximate estimate of the investments of the United States in Canada. If anything, it under rather than over-estimates the total:—

209 branch companies, average capital $600,000.	$125,400,000
Investments in British Columbia mills and timber	65,000,000
Investments in British Columbia mines	60,000,000
Land deals in prairie provinces	25,000,000
Investments in lumber and mines, prairie provinces	10,000,000
Packing plants	6,000,000
Agricultural implement distributing houses	8,575,000
Land deals, British Columbia	8,500,000
Municipal bonds sold privately	27,000,000
Investments in Canada of United States insurance companies	43,293,221
Miscellaneous industrial investments	10,000,000
Purchase of city and town property	15,525,000
Investments in the Maritime Provinces	12,850,000
	$417,143,221

The largest number of branch plants of American companies in Canada is located in Ontario, although there is a tendency to utilize Western Canadian points to a greater extent. At least twelve American manufacturers of agricultural and farm implements have branches in the Dominion and about as many makers of automobiles. In the latter case, the parts are usually imported separately and assembled in this country. Several American manufacturers of chemicals, drugs, patent foods and cereals have factories or distributing houses on the Canadian side on the international line. A large number of firms manufacturing and supplying various machinery, fittings and plant are also doing business in Canada in a similar way. This American commercial invasion applies to a lengthy list of articles, including asbestos, barrels, blind rollers, buttons, carpet sweepers, corsets, condensed milk, bags, corks, carriages, couches, brass goods, billiard tables, cords, cash registers, disinfectant, fly paper, files, fire extinguishers, fountain pens, gramophones, hardware, pickles, presses,

pulleys, razors, rubbers, sealers, shoes, scales, typewriters, watch cases, tobacco, etc. This will give an idea of the scope of American industrial interests in the Dominion. In mines, lands and lumber the greatest amount of United States money is finding its way to Manitoba, Saskatchewan, Alberta and British Columbia. The lumber of British Columbia has attracted considerable capital. Recently, forty miles north of Victoria, fifty thousand acres of timber land in the Cowichan Valley were sold to a New York company for $1,500,000. San Francisco interests purchased for $1,000,000 the controlling interests in 21,000 acres of timber and coal lands on Graham Island. A further influx of United States capital into the Kootenay district of British Columbia occurred during the past few months in the opening up of coal mines on McGillivray Creek, Crow's Nest Pass, by Minneapolis and Spokane men; the acquirement of the Highland-Buckeye-United mines group near Ainsworth by New York people; the purchase of the Fife mines, also by New York capitalists; the Queen mine by Duluth people, and the Lucky Jim mine by men from Spokane.

American and Winnipeg syndicates purchased early in 1911, 900,000 acres of land in the Peace River district of British Columbia, the amount involving in three transactions about $5,000,000. Arrangements are being made for the placing of American farmers on the land. Capitalists from St. Paul, Minnesota, have, it is understood, purchased large coal and iron deposits near Cowley, Alberta. The ore is said to be magnetite adapted for the manufacture of steel. The St. Paul financiers have also secured a charter for a railroad from Butte to Calgary. In Ontario, Michigan interests may locate a sugar factory. Duluth capitalists have acquired a half interest in the Durham Collieries, Limited, owning six thousand acres of land on Little Bow River, thirty-six miles north

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of Lethbridge. New York capitalists not long ago purchased a large block of city property in Montreal.

A New York syndicate purchased 50,000 acres of timber lands in the Cowichan Valley, Vancouver Island. The president of the Irondale Smelting Company, of the State of Washington, not long ago completed the purchase of ten miles of coal lands on Graham Island, making a payment of $60,000; also a number of magnesite claims at Atlin, British Columbia, paying $75,000. He also stated that his company's experts had decided that it might be necessary to avail themselves of the extensive iron deposits on Vancouver Island, which they have under option. Should this be done, the company would establish a large steel plant to cost $500,000 to $1,000,000, and give employment to over 1,000 men. The British Columbia Steel Corporation, backed by American capital, is also planning a shipbuilding and steel industry in Canada's Pacific coast province.

American capitalists have several million dollars invested in the lumber industry in New Brunswick, and that amount is steadily increasing. One of the latest purchases was the Prescott Company's property by New York men for $100,000, who will probably spend a quarter of a million dollars on a new plant. The Americans first entered New Brunswick in these spheres when enterprising men went to St. John and built sawmills and opened lime quarries. These mills cut logs from the Maine woods, that were floated down the St. John River, but they also cut New Brunswick logs, and a great deal of the product went to the United States market. Probably half of the mills at St. John are still owned by Americans, and they cut a large quantity of lumber every year.

The lime business was in former years extensive and profitable, but the United States tariff on lime was raised,

and the trade declined. This industry must eventually grow again to large proportions, for there are immense deposits of the finest quality of limestone, easy to quarry and to ship. The present trade is provincial, but American capital is still to some extent interested. The Salmon River lumber property, on the Bay of Fundy in St. John county, New Brunswick, was purchased from Mr. C. M. Bostwick, and in addition to sawing lumber the shipment of pulpwood in barges to Maine ports was begun and is still carried on. Another concern erected a small pulp mill at St. George, and secured timber property for a supply of raw material. Another company, called the Inglewood Pulp and Paper Company, secured a property near Musquash, not far from St. John, and a friendly company leased the Mispec pulp mill, which it has operated for several years. This mill had proved a failure and had been taken over by the city, which desired to control the Mispec stream in connection with the waterworks system.

On the Miramichi the Richards Company's mills and lands were in the market, and an American concern, the Miramichi Lumber Company, was organized and became the owner. Another property in Restigouche was secured by Americans. The Adams, Burns & Company's property at Bathurst was also secured by capitalists from over the border, who became owners of a large amount of timber as well as mills. It is stated that Americans have also purchased a lumber property in Kent county, and there are other such investments in the province.

There is United States capital invested in Queen's county coal areas and in a York county antimony mine. The proposed sugar refinery at St. John was promoted by a Philadelphia man, among American investors.

In British Columbia the chief investment of United States capital has been in mining and lumbering, in-

cluding timber. This is natural, since United States men in the Middle West and on the Pacific coast have made much money in mining and lumbering, and since minerals and timber are the two great resources of British Columbia. It was stated at the sessions of the Forestry Commission in Vancouver that 75 per cent. of the timber licenses were held by United States interests. A timber man tells me there are, say, 17,000 licenses, with $3,000 against each, which makes $51,000,000. Added to this are Crown grants and leases, and half of these are controlled by the United States. As to lumber mills in the interior, two-thirds are backed by United States capital, and on the coast, one-third. While on the coast the proportion is that, the United States controlled plants are large, so that the proportionate investment may be a little larger. Conservatively, the value of United States holdings in British Columbia mills and timber to-day at present valuation is placed at, say, a little less than $130,000,000. The investment in actual cash might be about half that sum.

The Victoria Lumber and Manufacturing Company at Chemainus, two-thirds of whose stock is owned by Americans, has recently sold for about $4,000,000, 75,000 acres of timber on Vancouver Island, covering 3,200 miles, extending from Comox to Campbell River, to the Fraser River Lumber Company. The tract is regarded as a fine area of Douglas fir, containing between 4,000,000,000 and 5,000,000,000 feet. The purchasing company had previously acquired 25,000 acres of timber limits in the Comox Valley, near Comox, where extensive logging operations are carried on. The company, in which many Americans are largely interested, still owns many millions of lumber land on the island, and will continue to operate its large plant at Chemainus.

Later, the Fraser River Lumber Company, in which much American capital was introduced, sold their holdings to the Canadian Western Lumber Company for $7,300,000. Another American syndicate has purchased the McLaren mills at Buckingham, including large timber limits. The deal involves about $2,000,000. It is proposed to run the mills on a still larger scale and establish a fast shipping service to New York and other large American cities.

A deal involving an expenditure of over $1,000,000, the transfer of some 54,000 acres of timber land in the Cowichan district from the Esquimalt and Nanaimo Railway to an American company in New York, the construction of twenty-three miles of railway and the erection of a large export sawmill on the east coast of Vancouver Island has been concluded.

A New York syndicate has also purchased the controlling interest in the Fir Lumber Company, of Nanaimo, and their timber interests involving a consideration of nearly $500,000.

In British Columbia mining, the proportion may easily be placed at one-half United States capital and the rest Canadian, British and foreign. The figure could be safely placed at $60,000,000. Nearly all the big propositions, such as the Nickel Plate, recently acquired by the Steel Corporation for a million, the Crow's Nest Coal Company, other coal companies in the same district, the British Columbia Copper Company, the Dominion Copper Company, the Britannia, near Vancouver, the Marble Bay mines on Texada, James Cronin and Heinze in the Bulkeley, the Guggenheims in Atlin and Ruffner in the same district are backed exclusively by United States capital.

The Great Northern and Northern Pacific Railways, two prominent American roads with their eyes on Can-

ada, think that it would be better to own coal mines in British Columbia than to purchase coal under the contract system. The results of the Northern Pacific Railway's tests on Vancouver Island have not been of such a nature as to dissuade the company from seeking properties which have not been open to their diamond drills. Much of the Northern Pacific Railway's work has been done in the Comox field.

The Great Northern Railway Company, unable to secure in the Western United States fuel suitable to the requirements of its locomotives, is also looking for Vancouver Island coal. It is desirous of purchasing coal lands and doing its own mining. It would be possible for both these American railways to contract with some of the producing mines for coal they require, but their efforts in the direction of securing their own mines show they do not favor the contract system.

At the present time there are many coal properties on Vancouver Island which are under development, and several are shipping.

In manufacturing, British and Canadian capital preponderates. Manufacturing, though, is not developed to a large extent yet in British Columbia, though it is expanding rapidly.

United States capital is largely invested in colonization or land schemes in the northern interior of British Columbia, and these lands are being sold by active agents in Seattle and other Pacific coast cities. In this instance, the investment would be possibly $8,500,000.

There are large enterprises backed by Canadian and British capital, such as the Canadian Pacific Sulphite Pulp Company, which has expended in actual cash over $800,000 and has holdings valued at close on $5,000,000; the British Columbia Electric Railway Company, the Le Roi mine, the Consolidated Mining and Smelting Company, etc.

The Pacific Coast and the Western provinces of Canada have considerable United States business sentiment. The range of mountains in British Columbia is a physical barrier which entails high freight and passenger rates, and business naturally seeks the line of the least resistance. Consequently there is a large trade in all necessities with the people south of the boundary, who are quick to seize every business opportunity. Moreover, the resources of British Columbia are similar to those of the Pacific Coast States, only richer. The men who know what has been found in Washington, Oregon, Idaho and Montana in the way of timber, minerals and land have become largely interested in British Columbia. If a mine begins to develop well, an offer is made at once by a United States syndicate, the members of which are willing to risk the prospect of values increasing. They also have prospectors throughout the country, and are among the first to locate good propositions. In timber, with money, the speculative instinct and manufacturing enterprise, they are to the fore.

In Regina and Saskatoon more especially the investment of United States firms is largely in the shape of distributing warehouses for agricultural implements. Nearly every important United States implement firm is represented in those cities by its agents. The International Harvester Company, for instance, is now erecting a $75,000 building, while the John Deere Plow Company has completed arrangements for the construction of a similar warehouse. Among the implement firms located in Regina are Wisconsin, Indiana, Michigan, Minnesota, Ohio and Iowa houses. They do a large business in harvesting machinery, binder twine and threshing outfits.

Flour milling concerns are beginning to scent possible profits in Canada. The Dominion's three large corporations, the Ogilvie, Western Canada, and Lake of

the Woods, have made such remarkable progress that United States invasion of this field will be somewhat difficult. The Saskatchewan Flour Mills, located at Moose Jaw, is backed by United States capital, and it is interesting to note that the telephone system in the same city was purchased by a United States company, being sold later to the Saskatchewan Government.

There has been a tendency on the part of certain United States adventurers to exploit the privilege of many Canadian municipalities in bonusing new industries. Keen competition exists between the cities of Eastern and Western Canada, and again among the cities in those two sections in attracting new capital in the form of branch factories. The establishment of another industry creates new labor demand and at the same time extends local purchasing power. Towns and cities in Canada have offered free water, fixed assessment for a period of years, free sites, exemption from certain taxes, the guarantee of the bonds of the company proposing to erect a factory, and other inducements. On the whole, this principle has not worked successfully, and the disposition is to cease the offer of this dazzling array of industrial baits. Several municipalities have undergone unhappy experiences on account of their eagerness to attract new industries in this way. These experiences have often resulted in financial loss.

The American fire and life insurance companies have, according to the report of the Canadian Superintendent of Insurance for the year ended March 31st, 1911, total assets in Canada of $55,456,527, the two principal items being:—

Bonds and debentures	$43,293,221
Stocks	162,141

Unlike the British insurance companies doing business in Canada, the American companies have practically

no real estate in the Dominion. On March 31st, 1910, the British companies' real estate holdings in the Dominion had a book value of $2,832,147. One American company had real estate valued at $58,520. The actual value is far greater than that of the book value.

The investment of American capital in Canada has excited considerable criticism in the United States, but they have been well defended by Mr. A. Barton Hepburn, at one time Controller of Currency and president of the Chase National Bank, New York. He points out that the American investments were largely in farms and undeveloped farm lands. The Americans making such investments came largely from the middle West, and withdrew funds from local banks for the purpose, and in many cases no doubt borrowed additional funds to complete such purchases. The money went, he says, to make up an adverse balance of trade, and it made a considerable demand on the banking resources of the United States. "There is nothing wrong, nothing reckless or nothing to criticize in such investments in Canada," continues Mr. Hepburn. "The resulting demand for money has put the bankers of the whole country upon notice, and they are carefully planning to meet the increased demand for money which comes with every fall. The banks in New York have a large surplus reserve. The banks in New York will be in a position to furnish to the interior whatever money may be necessary in the fall. It probably will be at full rates of interest, but that will be no hardship. If money is needed from abroad we will be able to procure it. The great trouble with the American people at the present time is the extravagance in living which characterizes all classes. If conditions should become acute, our travellers abroad would return, our merchants would curtail importations, and a trade

balance would pile up rapidly which would enable us to procure gold abroad."

While the figures of American investments in Canada given are only approximate, they are sufficiently well estimated to give a clear idea of the extent of the United States industrial invasion of the Dominion. Geographical position has been argued in favor of the United States. The time has come when geographical difficulties can be overcome largely by enterprise and early information of possibilities and opportunities.

CHAPTER III.

FOREIGN INVESTMENTS IN CANADA.

At least $139,589,650 of foreign capital has been invested in Canada. The following is an approximate estimate:—

France:

Manufacturing and industrial development..	$ 8,500,000
Lands and mines	8,750,000
Loans on mortgages, etc.	30,000,000
Canadian industrial and railroad securities.	22,250,000
Municipal and school bonds	1,250,000
	$70,750,000

Belgium:

Western mortgages	$ 3,500,000
Purchase of Western lands	2,225,000
British Columbia fruit lands	950,000
Canadian railroad securities	5,000,000
	$11,675,000

Germany:

Western lands, mines and mortgages	$ 8,000,000
Western coal lands	5,000,000
British Columbia coal lands	3,500,000
Canadian railroad securities	9,000,000
Investments in beet sugar industry	1,225,000
Investments in railway to tap coal lands ...	4,000,000
	$30,725,000

Holland:

Western lands and mortgages	$ 3,000,000
Canadian railroad securities	8,000,000
	$11,000,000

Russia:

Doukhobors' land investments in British Columbia .... $ 1,500,000

Turkey:

One bank's investments in Canadian railroad and government bonds .... $ 3,000,000

Foreign Holdings of Canadian Bank Shares:

In chartered banks	$ 1,439,650
Dresdner Bank's holdings in Sovereign Bank	2,000,000
In chartered Banque Internationale	7,500,000
	$10,939,650

Grand total, foreign investments $139,589,650

Some information respecting the distribution of Canadian railroad shares abroad is given in a subsequent chapter.

The following table gives details of some of the leading companies which have interested or are at present interesting foreign capital in the development of Canada:—

Name of Company.	Amount of Capital.	Country of Origin.	Nature of Business.
German Development Co.	$1,000,000	Germany (Berlin)	Development of their coal property in Alberta
Societe Financiere pour l'Industrie du Canada	1,000,000	Switzerland (Geneva)	Mines and industries
Alberta Societe Anonyme Belge du Nord-Ouest Canadien	160,000	Belgium (Brussels)	Mortgages
Western Can. Farm Lands Co.	200,000	Belgium (Brussels)	Land Company
Societe Hypothecaire du Canada	[illegible]0,000	Belgium (Antwerp)	Loans

Name of Company.	Amount of Capital.	Country of Origin.	Nature of Business.
La Caisse Hypothecaire Canadienne ..	$2,000,000	France (Paris)	Loans on mortgages
Revillon Brothers, Ltd	$5,600,000	France (Paris)	Fur posts at a number of points in Western Canada.
Compagnie Francaise d'Etudes au Canada.		France (Paris)	Merchants.
Belgo-Canadian Fruit Lands Co.	....	Belgium (Antwerp)	British Columbia fruit lands.
Land and Agricultural Co. of Canada	....	Belgium (Antwerp)	Western lands
Credit Foncier Franco-Canadien	$8,000,000	France (Paris)	Loans
Societé Immobliere des Fermes Canadienne..	$ 40,000	France (Paris)	Lands
Rotterdam Canadian Mortgage Co.	2,500,000 gulden	Rotterdam (Holland)	Mortgages
Netherlands Transatlantic Mortgage Co.	2,500,000 gulden	Amsterdam (Holland)	Mortgages
Holland Canada Mortgage Company	100,000 gulden	Holland (The Hague)	Mortgages
Netherlands Canada Mortgage Company.	....	Holland (Groningen)	Mortgages
Canada Mortgage Bank	2,500,000 gulden	Holland (Rotterdam)	Mortgages
Nederlandsch Canadeesche Mortgage Bank.	50,000 gulden	Holland (Groningen)	Mortgages

The Credit Foncier Franco-Canadien has been so long established in Canada that we recognize it as a Canadian institution. It has offices in Toronto, Winnipeg, Edmonton, Vancouver, Montreal, Quebec and

Paris, France, and is reputed to have attracted at least twenty millions of French capital into this country in twenty years. This company made a successful issue in Paris in 1910 of $5,000,000 debentures. Messrs. Revillon Bros., Limited, a company conducting a business in Western Canada similar to that of the Hudson's Bay Company, is also considered a Canadian house, although it is a corporation of French origin.

Generally speaking, foreign capital investments have been made chiefly in Western Canada, the chief exception perhaps being the Province of Quebec, where there is naturally a considerable French interest. The capital of companies other than Canadian, British and American registered to do business in Alberta amounts to $11,000,000.

Regarding the investment of foreign capital in British Columbia, the amount might be approximately placed at about $6,000,000. There is an investment of a company which controls coal areas at Lille, Alberta, and which is of French origin. French capital in British Columbia is mainly confined to loans.

In real estate about $1,500,000 of French capital is invested in British Columbia, and the amount is steadily expanding.

Approximately, $5,000,000 of German capital is invested in British Columbia, principally in real estate and mining, with a few industrial and speculative enterprises.

The two countries to take greatest interest in Canadian investments during the past two years, aside from Great Britain, were France and Holland. France is patronizing Canadian industrial stocks, while Holland is devoting attention to lands and mortgages. Numbered among shareholders of the Quebec Railway, Light, Heat and Power Company are Frenchmen holding 57,000

shares. Stock of the Algoma Central and Hudson Bay Railway valued at 3,000,000 francs was placed in Paris last year. At least 6,000 shares of the Dominion Iron and Steel common stock have also been placed in Paris, and about 6,000 shares of the Lake of the Woods Milling Company.

The banks in France, as is known, are the great medium of investment, and carry immense capital, on which they pay only small interest. Wherever the banks place their investments the people always follow, and there is no reason why a good portion of the French surplus of money should not find its way to Canada instead of to Swiss and Belgian banks, where it is again picked up by other countries. Undoubtedly Mr. Rodolphe Forget, M.P., the Montreal financier who has inaugurated a chartered bank in Canada backed chiefly with French capital, has helped to arouse the present interest of France in Canadian projects of the Dominion. Mr. Forget thinks that France is now convinced that the Dominion is the best bargain counter in the world, and is well satisfied with the protection capital is afforded in Canada. Frenchmen are anxious and enthusiastic in their desire to invest capital here.

Never, said Mr. Forget, after a recent visit to France, was money so plentiful in France as at the present time, and only when it was remembered that during the past eleven years a large sum was loaned to foreign countries can an approximate idea of the wealth of the country be reached. The predominating idea in France amongst financiers when all loans were being negotiated was to effect them in such a manner as to add to the wealth of the Republic. Mr. Forget thinks that the Bourse is one of the most active money centres in the world, from three to four thousand people watching the operations of the members and keeping in touch with

the various markets. The market is so extensive that little time ensues from the date a good security is listed to the day when it disappears from active speculation and finally enters the investment class.

Mining enterprises, milling concerns and steel and iron are amongst the industrial securities most favored by the French investor. A great many of the leading Paris financiers are thoroughly posted as to localities of Canadian industrials, as well as with the names of the men who have these enterprises in hand this side of the Atlantic. The investment of French capital is dealt with more extensively in the following chapter.

Holland is placing several millions of dollars principally in mortgages. The present year witnessed two new and important companies planning extensive operations in the Dominion. A slight setback to Dutch confidence in Canada was created early in the year by statements which temporarily checked investment. The outlook for continued investment from the Netherlands is good. The Holland Canada Mortgage Company was the first Dutch company to operate in the Dominion. The interest among Netherlands financiers in Canadian securities appears to be largely due to the establishment of a trade commissioner service in Amsterdam, and the personal efforts of Mr. Preston, the Commissioner there.

Germany is somewhat slow in appreciating Canada's investment possibilities, but there are signs of increasing German capital. Land, timber limits and mines are apparently favored. These investments are treated more fully later.

During the past two years, important developments have occurred in the formation of international syndicates to finance industrial propositions in the Dominion. The German Development Company, for instance, which is interested in coal lands in Alberta and British Col-

umbia, obtained not only German, but also Belgian, French and English capital for this enterprise, and also for the building of a railroad to tap the Albertan coal fields. In February, 1911, a Swiss company was formed under the name of Societe Financiere pour l'Industrie du Canada. It has a nominal capital of 5,000,000 francs, and has been promoted under the auspices, among others, of the following firms: Messrs. Lazard Brothers, Grenfell, Morgan & Company, Bonn & Company, the Banque de Paris et des Pays Bas, the Société Générale, and Spitzer & Company, of Paris. The importance of this syndicate is obvious. It intends to finance any large and legitimate industrial proposals submitted by its Canadian representatives. The syndicate will be able to place its issues simultaneously in the principal European markets.

The following is a summary of the British, American and foreign capital investments in Canada:—

Investments in Canada.	Amount.
British	$1,860,000,000
American	417,143,221
Foreign	139,589,650
Total	$2,416,732,871

CHAPTER IV.

FRENCH INVESTMENTS IN CANADA.

After Great Britain, France has shown the greatest interest in Canada as an investment field. The French population, particularly in Quebec Province, and the fact that a French-Canadian Premier is ruling the destinies of the Dominion, may partly account for this fact. France, more than any of the continental countries of Europe, has shown a disposition to invest widely. Mr. Alfred Neymarck, in a paper written for the National Monetary Commission of the United States, states that, according to the latest valuation, the foreign securities, including government bonds, held by French capitalists, reached the minimum figure of 30,000,000,000 francs. The distribution by countries is as follows:—

Country.	Billions of francs.
Russia	9-10
England	½
Belgium, the Netherlands	½
Germany	½
Turkey, Servia, Bulgaria Roumania, Greece	3-4
Austria-Hungary	2
Italy	1-1½
Switzerland	½
Spain, Portugal	3½
Canada and United States	½-1
Egypt, Suez	3-4
Argentine, Brazil, Mexico	2½-3
China, Japan	1
Tunis, the French colonies	2-3

In view of the monetary, financial, economic, commercial, and industrial crises which break out almost periodically in all countries, and with the destructive force of a cyclone sweep everything before them, the question has been asked how France has escaped these disturbances, or at least has been able to meet with ease their reaction. Many reasons have been given, some of which could not be passed over in a careful examination, for the scientific and mathematical truth of the resulting conclusions is so clearly evident. These reasons, are, in Mr. Neymarck's opinion:—

(1) The large amount of French savings and of available capital.

(2) The increase and distribution of French and foreign securities held in France.

(3) The influence exercised upon the rate of interest, the discount rate, and upon the banks, their reserves and deposits, by this wealth of resources.

France is regarded as a reservoir of free capital. This result is largely brought about by the negative virtue of Frenchmen, that of thrift. Their capital is obtained by saving, and as Mr. Guyot, of Paris, points out, it is the production which costs the least effort.

France is largely interested in Canadian railroad, industrial and other securities. French investors generally guard jealously details of their investments. Numerous instances are known where capital has been invested in Canadian and American securities by purchases through London brokers. A fairly large amount of Canadian bonds and stock, therefore, which has been credited to English investors is actually of French origin. France holds large blocks of Lake of the Woods, Quebec Railway, Montreal Power, Montreal Street Railway, Toronto Street Railway, Algoma Central and Hudson Bay Railway, and Dominion Steel Corporation Securities.

According to Mr. O. B. d'Aoust, of Montreal, millions of dollars will continue to be sent to Canada from French sources. He further states that French capitalists now consider Canada the ideal country for investments, particularly because of the bonus system in vogue here when companies are organized. The Montreal financier says that one group alone of Paris bankers and capitalists is ready and willing to invest as much as fifty million dollars in any series of enterprises which may be placed before it. The interest in the Dominion is not wholly confined to Paris, the money centre of the French Republic, but capitalists from such wealthy communities as Bordeaux have given evidence in a practical manner of their faith in Canada.

The Montreal Stock Exchange is now noticed throughout France, the daily transactions and the names of the leading securities being posted in every important centre of the Republic, and read by an appreciative public.

For the purpose of interesting French capital in Canadian securities, Mr. R. Forget, M.P., of Montreal, has invited a party of French financiers and bankers to visit Canada. Among others, a prominent official of the Bank of France, it is understood, has accepted the invitation. Mr. Forget was successful in 1910 in having listed on the Paris Bourse the stock of the Quebec Railway, Light, Heat and Power Company. The stock was listed at 250 francs, equivalent to 50 on the Montreal market. Mr. Forget thus succeeded in doing what the J. P. Morgan group could not secure for United States Steel common stock, although in the latter case political influences were an important factor.

The official committee of the Paris Bourse, it was recently understood, is trying to obtain from the government some modification in the laws regarding the listing

of foreign securities on the Bourse. If the government proves willing to grant concessions in this direction, it is probable that some Canadian and American stocks of good standing will be quoted as well as such American bonds as have been sold in Paris or are likely to be placed in the near future.

Senator P. Roy, who was this year appointed Canadian High Commissioner at Paris, has interested a considerable amount of French money in the Dominion. His company, La Caisse Hypothecaire du Canada, or the Canada Mortgage Association, has a capital of $2,000,000 and power to issue bonds up to $10,000,000. French investors will probably place in Canada through this company from $20,000,000 to $25,000,000. Senator Roy has handled French capital only for mortgages. French money may also become interested in the proposed Kapatachawan and Rupert Bay Railway, with which Mr. H. Gervais, M.P., is associated.

This year $7,000,000 of French capital have been secured for the new Banque Internationale, a very important development, treated at length on another page. Some small blocks of city property have been purchased by French capital, and more attention is being paid to Western Canadian industries. A visiting Parisian remarked that one drawback to the introduction of European capital in the Canadian West is the fact that Canada is not as well advertised as it might be. There has been an enormous amount of French capital invested in South American enterprises, and there is no reason why much of this money should not come to Canada. He deplored the lack of literature and information to be found on the Continent relating to the opportunities which Western Canada has to offer to the financial world. Such literature as is to be found there is written chiefly in the English language, which renders it practically worthless in

France. He suggests that the local industrial bureaux send out pamphlets to the different countries printed in their own languages, thus enabling them to get the information they require first hand.

In many directions the cultivation of the French market by Canadian interests is being actively pursued. French-Canadian public men, who have lately been in Paris, have returned impressed with the evident desire of French capital to come here. It is realized that this disposition of French capital is of importance, not only on general grounds, but because it means the gradual rise of a second European market for Canadian securities. Within the last year it has become obvious that London is not willing to absorb Canadian securities at the great pace at which they are now being put out. So that a second market is quickly becoming a necessity. Hence the marked cordiality with which French overtures are now being received in Canada and the pains which are being taken to cultivate the Paris market.

The listing of Canadian Pacific Railway securities on the Paris Bourse is, at the time of writing, being considered. The proposal, it is understood, is backed by an influential French banking group. For some time certificates for Canadian Pacific stock have been received at the New York office of the company, on which the indorsements and guarantees of signatures have indicated that in some way the stock was being dealt in in Paris for the account of local interests, but more particularly for the account of operators and investors throughout France. It is regarded as natural, therefore, that steps should be taken to make a still broader market among French investors and speculators for Canadian Pacific stock. The plan is the same as contemplated with Atchison, namely, the physical deposit of shares as

security for bankers' certificates and the guarantee of present dividends for a series of years.

A few Canadian municipal and school debentures have been bought in France. The great objection to these securities, so a banker in Paris informs me, is their high denomination. He thinks that the French people would take a much greater interest in Canadian stocks if the scrips, instead of being nominative, as they mostly are, were made to bearer with coupons attached, as is the case with bonds.

The growing tendency of investment of French capital in Canada is gratifying. Our financiers should do everything possible to encourage this inflow of money by catering to the particular needs, desires and peculiarities of the French market. Mr. Guyot, the well-known financial writer of Paris, recently gave some valuable information in this connection. Suppose a Frenchman wishes for information, he says. He opens a manual of railways and sees that, in the company whose bonds are offered to him, there are three or four kinds: some are first mortgage, others are secured by such and such a line, others by the rolling stock, guaranteed by a trust up to 90 per cent. He sees redemptions lasting a century. He is used to French railway bonds, secured by the entire property of the company, and feels some anxiety. He queries whether the bond offered will give him every guarantee. Is it the surest? To take it he must trust more in the bankers who offer it than in the security itself.

Moreover, he is used to rapid and automatic redemption. He does not understand the system followed by American companies, who, holding perpetual grants, and considering it futile to pay back on the one hand and to borrow on the other, make use of their increased receipts to improve their lines and rolling stock. When he sees

no precisely determined redemption he is distrustful. The French promoters of the Cleveland, Cincinnati, Chicago and St. Louis bonds, of the Chicago, Milwaukee and St. Paul, did away with this difficulty by providing for a very rapid redemption; but they are debentures.

Many buyers are deterred by the form of the American securities, which in the case of bonds comprise very big splits. In the United States the splits generally adopted are of the value of $1,000 or 5,150 francs.

As regards shares, the question is still more involved, because American shares are nominal. Their introduction on the French market in this shape is absolutely impossible; it was, therefore, necessary to find some means of transforming these nominal shares into bearer shares; this was done in the case of Utah Copper and the United States Rubber.

To accomplish this end, the original shares are deposited with a trust company, which, in exchange, delivers representatives' certificates to French bearers, certificate for certificate, so as to give all security to the French bearer. The American shares are deposited and immatriculated in the name of the trust company, as trustee; but it is a difficulty, for the right of the bearers is the general meetings in the company.

As a general rule, the foreign securities—other than State bonds—publicly offered for sale in France must be subscribed to the French "Timbre." Subscriptions to the French "Timbre" includes three undertakings by the company asking for the admission of its shares to pay three taxes:—

1. The stamping tax.
2. The transmission tax.
3. The tax on securities income.

But foreign companies only pay these taxes on a fraction of their shares or bonds, corresponding to the

importance of the circulation in France. The taxed portion must not be inferior, in the case of shares, to one-tenth and for bonds to two-tenths of the capital. The amount is determined by the Minister of Finance on previous information from the Commission of Public Securities for a length of three years.

Moreover, the company must obtain the recognition by the French Government of a responsible representative. The application for subscription and the demand for introduction to the money market must be signed by the company. This subscription also necessitates publication in the *Journal Officiel* of a series of information concerning the society, details of which were laid down by the law of January 30th, 1907. These fiscal taxes are vigorously attacked. They may disappear one day.

In conclusion, Mr. Guyot says that the bonds actually suit the French public, but some experienced bankers think that if good railroad or other shares were offered on the French market they would certainly be well received by the French; it is a matter of time and education. They need to be educated up to an understanding of the true state of affairs, by publication of documents and information, clearly presented, concerning the economic and financial situation of American undertakings.

CHAPTER V.

GERMAN INVESTMENTS IN CANADA.

Germany has seldom lacked initiative either in commerce, industry or finance. In investment it has invariably acted cautiously, with the result, as it has happened, that German ventures in Canada have not been large. Canadian Pacific Railway shares are traded in there to a considerable extent, many important Canadian Pacific Railway movements having originated in Berlin. The next interest of any significant importance in Canada was that of the Dresdner Bank with Messrs. J. P. Morgan & Company. This took the shape of a two million dollar investment in the Sovereign Bank of Canada, of which the German bank contributed one million dollars. The failure of the Canadian institution, in the opinion of German authorities, shattered faith, and will for many years prevent further large investments from Germany coming to this country. The Dresdner Bank's investment will remain in the country, that German institution having agreed to the plan of the formation of a new company to take over the assets of the Sovereign Bank.

Several smaller investments have been made in farming lands. A land company was incorporated some years ago at Winnipeg and obtained the money of small investors in Germany for the purpose of acquiring and selling farming lands in the West. Having bought areas, at what must be regarded as too high a price, the company is at present unable to sell its lands. This particular concern was launched when the immigration

movement from Germany to Canada was active. Three years ago the exodus from that country totalled 280,000. In 1909 the figures had declined to 20,000. The chief reason is that Germany has changed from a farming to an industrial nation, the change being furthered largely by the indemnity received after the Franco-German War. The farmers migrated to the prosperous cities and became industrial workers, earning more money with less labor. Like Canada, Germany experiences difficulty at present in obtaining labor to garner its crops. Harvesters are obtained from Russia in order to relieve the situation.

There is little likelihood of Germany becoming interested in the financing of Canadian railroads. The chief German interest in Canadian investments is in railroad stocks affording speculative opportunities. Canadian Pacific is listed on the Berlin Exchange and Grand Trunks are traded in through London. Whenever the Canadian Northern stock is put on the market it is quite likely that its quotation in Berlin will create a big market in that city therefor.

No German interest is exhibited in federal and provincial government and municipal bond issues. Inducements do not exist to counteract the influence of distance between the two countries. The small German investor prefers the bonds which are issued by his own country, or by neighboring nations. He also invests largely in bonds which are released by lottery at a premium.

Light and power propositions do not, generally speaking, appeal to German capital. The Imperial German Government makes every effort to interest money available in that country for the promotion of these industries in its own country or colonies. But the Canadian iron industry may one day attract considerable capital from the Kaiser's land. Much educational work must yet be accomplished, as Canada in the minds of many still

forms part of the United States, and the possible competition of the United States Steel Corporation is not regarded favorably by German interests. Another unfavorable factor is the experiments being carried on in the Dominion with electric smelting, which have not proved as yet a successful business venture. In fact, the chief effect of these experiments has been to introduce an element of uncertainty into the situation. Until this question is settled the iron and steel industry will not likely bring in capital from this European country.

In mining ventures the Cobalt camp does not figure. The mineral obtained in Northern Ontario is similar to the ore which has been mined in Saxony for the past three centuries. The experts who visited Cobalt in its first days reported that it was a freak camp, and rather deprecated investment in its mines. That fact, together with the failure of one or two badly organized and unsound propositions floated on the London market, has checked the inflow of European capital into the development of Canada's silver mines. One German company, for instance, with an office in Toronto, claimed to have the secrets of ore treatment as in use by the Royal Saxonian Government, secrets which have been jealously guarded for many years. The consequent failure of this company created bad feeling in this country and Germany.

A large part of the asbestos mined in Canada goes either directly or indirectly to Germany, where the asbestos industry is important. One might imagine that this fact would prove an inducement to German investment in our asbestos mines. As a matter of fact, had it not been for the big amalgamation of asbestos properties in Quebec Province in 1909, I have the best authority for stating that German capital would have interested itself in the financing of several asbestos properties in that

province. At present Germany prefers to buy the material, even at an enhanced price, rather than place its money in prospecting and development of the mines under current conditions.

Our timber limits will probably attract no attention in Germany unless considered in conjunction with a pulp and paper industry. The European has decided opinions upon our system of fire ranging, as it relates especially to timber limits. One favorable factor in German investment in Canada is that it seldom makes profits without considerable reinvestment. The German Development Company, for instance, representing important Berlin bankers, started in this country with a capital of $60,000 for the purpose of locating and developing mining properties in Canada. Within one year the investment was raised to a quarter of a million dollars, and later increased to $1,000,000. The most important of the company's ventures (coal lands in the West) were amalgamated with the interests of the Canadian Northern Railway Company, and the monetary interest was recently further enlarged. The Canadian Northern Western Railway will build into these coal fields representing an investment of $4,000,000, while the coal mines which they will tap have received $2,000,000 of foreign and chiefly German capital. A little Belgian, French and English money is interested in this scheme. German capital to the extent of $3,500,000 is invested in British Columbia coal lands, and in Alberta coal lands there is about $3,000,000 of German capital.

There is not enough known of Canada yet in Germany to interest the banks to any large extent. Where capital has been invested here it has generally financed the scheme of a man who has made a study of Canadian conditions and opportunities. This situation is likely to exist for some time.

There are attempts made continuously to attract German capital for the purpose of investing in real estate in the West. Every failure—and such are bound to result if agents only desirous of earning a commission quickly are purchasing—will undoubtedly result in further and larger investments from Germany.

German financiers who have become interested in Canada think that land companies, for the purposes of acquiring good lands and advancing of money to settlers as an extra inducement, are good investment opportunities. German capital may also play an important role in the Canadian beet-sugar industry. Its cultivation in Germany is one of the biggest and best-paying industries there. A glance at the names connected with the promotion of beet-sugar companies in Canada reveals the fact that German experts are at present very largely associated.

Since the removal of the German surtax there is thought to be an opening for German-Canadian trading companies. If Canadian partners can be found, this development may be an early and important one.

There is another phase to be considered in connection with the probable investment of German capital in Canada and the interest of Germany in Canadian securities. Since the action in Berlin against the introduction of the Chicago, Milwaukee and St. Paul shares on the Berlin Boerse, a Copenhagen city loan was offered for subscription in the German market without the government making any objection to its admission on the Berlin and Hamburg Stock Exchanges. The authorities also consented to admit a loan of the city of Budapest, which, although competed for by a syndicate headed by a German bank, was taken up by the Credit Lyonnais and other large French institutions. This seems to show that the official action against foreign loans was directed

against American securities in the first place, although the Government does not favor the introduction of other foreign securities at present. A recent dispatch from Berlin to *Financial America*, of New York, commenting on this situation, said:—

"This policy, alleged to be designed to protect the home money market, is of great importance to foreign countries, and especially to the United States. This is not so much because of the stoppage of an outlet for German capital, but by reason of the reaction of this 'politics of blockade' on other industrial countries. The newly created capital in Germany is very great and seeks investment. It is pouring into industrial undertakings, most investors being dissatisfied with the low interest rate on domestic loans. As German industry has hitherto depended upon exports, a further increase in her production will force the Empire in still greater degree than at present to live on outside nations. In past years domestic consumption here has not grown in proportion to the capacity of production, mainly in consequence of wages of labor having been only slightly increased—not at all in proportion with the rise in commodities prices—the people thus being prevented from buying in the measure that they otherwise would do. If, nevertheless, all branches of industry are fully occupied just now, with labor fully employed, it is precisely this expansion of industry that will increase German competition with foreign countries.

"German industry has greatly increased its markets abroad because of our excellent machinery, our exemplary organizations and the bounty-giving policy of the great syndicates. Germany is also helped by her large and efficient mercantile marine and the great number of German banks in foreign countries. There is no country in the world where the results of German industry have

not been carefully introduced. Not even the half savages in the most solitary parts of Africa are considered too mean to trade with. The pressure of production in excess of home consumption will force German manufacturers to use the dumping method in a still greater degree than at present."

On the other hand, the directors of the Deutsche Bank of Berlin, in their last annual report, urged the advisability, and even the necessity, of foreign investment as a part of Germany's economic system. Mr. Bernhard Dernburg, former Colonial Secretary, and himself a banker, took issue with the view of the German authorities in barring the shares of the Chicago, Milwaukee and St. Paul from the Stock Exchanges on the ground that the country was in danger of being flooded with "dangerous speculative securities." Mr. Dernburg declared that foreign loans should be extended in Germany rather than restricted, because Germany's ability to expand her export trade was directly involved. He attacked the theory that the introduction of foreign stocks and bonds injuriously affects the popularity of German consols and other Government issues. These, he said, have nothing particularly attractive in themselves and must be viewed from the interest-bearing standpoint purely, the same as other investments.

In discussing the question the Deutsche Bank says:—

"These foreign investments have become a necessity for Germany's economic system. Frequently, and especially in times when high rates of interest prevail, such securities prove serviceable in adjusting Germany's financial relations with foreign markets. Notwithstanding a few regrettable losses, which were sustained more than twenty years ago by reason of the non-fulfilment of obligations assumed by foreign Governments, the average

result of German investments in foreign securities is exceedingly favorable, and, as can be shown, has enhanced the national wealth by many hundreds of millions of marks.

"Although our activity in issuing new securities is principally and preferably directed toward domestic issues, the Deutsche Bank, after careful investigation and deliberation in each instance, has participated in the introduction of a moderate amount of foreign securities, and may point to the fact that for a long period of years not a single security of foreign origin which it has introduced at German Stock Exchanges, has been in distress. But even from bonds which defaulted twenty years ago, Germany's wealth has greatly increased, as was the case with the securities of the Northern Pacific Railroad, the larger part of which has long since gone back to the issuing country with considerable advantage to the German holders, or may be profitably sold to America at any time."

CHAPTER VI.

OTHER COUNTRIES' INVESTMENTS IN CANADA.

Dutch money is being placed in Canada in the purchase of agricultural land and in mortgages. One of several mortgage companies formed in Holland is arranging to advance loans on mortgages in the prairie provinces at the rate of from $750,000 to $1,000,000 a year. In 1910 Professor Mansholt, of the Dutch Agricultural College, and Mr. A. H. Hartvelt, a capitalist of Rotterdam, were visitors to Canada. Mr. Hartvelt came as the representative of Dutch capitalists and proposes to purchase many thousands of acres. He says that Canada is comparatively unknown in Holland, but considers there is an admirable outlet for Dutch capital, and has large projects in view.

Early this year the Netherlands Mortgage Company was proposed in Amsterdam for the purpose of investing Dutch money in Canada. Some of the promoters had a conversation with Sir Charles Fitzpatrick, of Ottawa, and as a result, it is alleged by Mr. W. T. R. Preston, Canadian Trade Commissioner at Amsterdam, the company was not incorporated. The reader is not concerned with the personal merits of this incident, but happily confidence was re-established among some of the parties and the chief promoter visited Canada in April, 1911, to seek openings for Dutch capital. The wealthiest and most important of the previous syndicates refused to enter the new combination, although it is to be sincerely hoped Canada will later benefit by their capital.

The following is an extract from a letter addressed by Judge W. H. de S. Lohman, of The Hague, dated December 2nd, 1910, to Sir Charles Fitzpatrick, of Ottawa. It is printed because it throws interesting light on the admirable cautiousness of the European investor:—

> "The reasons of my withdrawal are chiefly the following:—The opinion of Sir Fitzpatrick is that there is in Canada certainly opportunity for doing business, but he believes that at this moment it is not advisable without consideration to start business, because the value of the land is not quite real, and after some time will decline in value.
>
> "He was also of opinion that if one will insist on a security of 50 per cent., our bank could not realize 7½ per cent. interest, because with a similar security money can easily be obtained at 5 per cent.
>
> "He further deemed it of the greatest importance that those who may engage in the management should be personally acquainted with the country before starting, and to make it dependent on the experience obtained there whether business should be started now or later. One of the greatest risks he saw in the necessity for a bank doing business. A private person, he told me, who is not in a hurry has all opportunities of investing his money safely and getting a good interest; a bank, however, runs the risk that bad securities are put in its hands and therefore it is very necessary that the managers of the bank themselves are thoroughly acquainted with the situation in Canada, and especially with agriculture.
>
> "Mr. Fitzpatrick is a person who on account of his position and his past deserves confidence in a high degree, and may be deemed to possess a thorough knowledge of the situation in Canada. I cannot doubt the correctness of his statements; whether they are of sufficient importance to wait some time in accordance with his opinion is another question. However, the uncertainty about the business must be sufficient for me as a member of

the Judiciary to necessitate my withdrawal, though nobody else could be blamed, if, in assuming too favorable results, a hazardous enterprise was started against the advice of a competent expert.

"As to this, I repeat what Sir Fitzpatrick said to me expressly, that Canada has a good future and offers a good opportunity for doing safe business. If, however, our bank should be less prosperous I could never be personally free from the reproach that one, whom I ought to consider a competent expert, had warned me in vain in proper time."

It is almost certain that in due time the Dutch capitalists will not only accept the advice of Sir Charles Fitzpatrick, but will also invest their money in Canada on the advice of Canadian Trade Commissioner.

Lands, loans and to a small extent Canadian railroad securities appear to be attracting Belgian capital. Several Belgian companies this summer have made considerable purchases of Western prairie lands and British Columbia fruit lands. Mr. F. de Jardin, of Antwerp, is associated with the formation of three companies handling Belgian capital in the Dominion. One mortgage company, with headquarters in Antwerp, has during the past two years lent about $2,000,000 on mortgages in the West.

Belgium has a surplus population and an over-supply of money. Each year the postal savings banks record total savings of $200,000,000. Mr. Brunner, head of the private banking house of Brunner at Brussels, who recently visited Canada, told me he estimated that at least 10,000 Belgians are now residents of this country. He thinks that fact and the fact that financiers of Belgium are becoming more interested in the resources and investment possibilities of the Dominion will divert several millions of capital from his country into Canadian channels.

Little Norwegian capital is invested in Canada, although a fairly large settlement of Norwegians is established in the vicinity of Wetaskiwin and Red Deer, Alberta. The number is increasing rapidly. This means the inflow of more money into Alberta, although it represents only small amounts invested in farming operations.

Austria has practically no investments in Canada, although the question of interesting Austrian capitalists in Canadian lands is being considered. The fact that that country contributes largely to the emigration stream to Canada may be a contributory factor to investment at a later date. Reimbursements for corn, which is sometimes exported from Canada to Austria, are probably made through Belgian bankers.

Twenty shares of the Quebec Railway Light, Heat and Power Company are held in Spain.

The chief Russian investment is that of Doukhobors in many acres of land in the Kootenay District, British Columbia. A colony has been located in that province, and four hundred Doukhobors recently left the Yorkton District of Saskatchewan to take up land in the settlement. They find the climate there more suitable for them, and, even if the holdings are smaller, the returns are good from fruit and general farming. The value of their investment is approximately $1,500,000.

Canadian government and railway securities have found their way to Turkey. I learn that one bank at Constantinople not long ago purchased $3,000,000 worth of these bonds. This was done with a view to diversifying the investments of the bank in question. The introduction of capital in Turkey is rather jealously watched. A few months ago the German foreign office commenced an inquiry regarding certain concessions in Asia Minor long in negotiation between the Turkish government and Rear-Admiral Colby M. Chester, U.S.N.,

retired. The admiral represents, it is said, a group of American financial interests, including, it is understood here, the Standard Oil Company. Recently Baron Marschall Bieberstein, the German Ambassador at Constantinople, represented to the Porte that for the Turkish government to grant these concessions would be to controvert the mining law agreed upon by the Porte and the European Ambassadors. The representations of the German diplomats appear to have been made at the instance of the Anatolian Railway Company, which is financed largely by the Deutsche Bank.

The entrance of American capital to Turkey is regarded with misgivings by the German, French, and British interests already there. The Turkish government encourages investments from the United States, as they will tend to relieve it somewhat of diplomatic pressure whenever questions relating to finance arise.

Until lately, Italy has been a poor nation, and borrowing one. In recent years the government, it is believed, for sinking funds, and other public bodies, as well as individuals, has been buying back Italian bonds sold abroad, until at present the Italian government debt is largely held in Italy. The investment of Italian capital in Canada is very small. That country's chief contribution to the Dominion is labor. The immigrants from Italy send home from Canada large sums of money annually to their relatives.

CHAPTER VII.

CANADIAN GOVERNMENT BORROWINGS IN LONDON.

As we have seen, a large amount of British capital has been invested in government loans, both Dominion and provincial.

The following is a summary of government flotations in London from January, 1905, to April, 1911:—

Government.	Amount.
Dominion	£36,000,000
Manitoba	2,465,000
Alberta	1,811,000
Ontario	2,020,000
Saskatchewan	1,410,900
New Brunswick	450,000
Total	£44,156,900

Of the total Canadian government borrowings in London in the period under review, amounting to £44,156,900, Dominion government loans aggregate £36,000,000. The three Western provinces borrowed £5,686,900. Manitoba with £2,465,000 was a heavier borrower than Ontario with £2,020,000. New Brunswick was the only provincial borrower among the Maritime provinces, the amount being £450,000.

The following are details of the Government borrowings in London:—

1906.	
Province of Ontario	£1,200,000
1907.	
Dominion of Canada	£1,500,000
1908.	
Dominion of Canada	£3,000,000
do.	5,000,000
do.	5,000,000
Province of Saskatchewan	410,900
do. Manitoba	308,500
	£13,719,400
1909.	
Province of Alberta	£ 411,000
Dominion of Canada	6,000,000
Province of Ontario	820,000
do. New Brunswick	450,000
Dominion of Canada	6,500,000
Province of Manitoba	156,500
	£14,337,500
1910.	
Province of Manitoba	£1,000,000
Dominion of Canada	4,000,000
Manitoba Province	1,000,000
Dominion of Canada	5,000,000
Province of Saskatchewan	1,000,000
	£12,000,000
1911 (to April).	
Alberta Province	£1,400,000

The Dominion government has enjoyed excellent credit in London, and its issues in that market have usually been well absorbed. The changing appetite of the investor, requiring a larger return upon his capital, is a consideration which has not been overlooked by Mr. Fielding, the Dominion's Minister of Finance. The yield of bonds to the investor has been steadily increasing over a period of years. That period almost exactly corresponds to the time in which the price of commodities has

been advancing. When the income of the conservative investor can buy less than it previously did, only two courses are open to him. One is to reduce his standard of comfort. The other is to sell his high priced bonds and look for a larger interest on something not quite so safe. This is one of the results of inflation, and, coincidently with such periods speculative booms, in land as in America or in rubber and oil shares as in London, are always observable.

As a general rule, bonds tend to improve when the price of commodities is low, and vice versa. The credit of the particular city may almost be described as a secondary influence. While this assertion is true, it yet remains to be seen whether or not the present speculative tendency and the advancing high prices of commodities in North America are not to some extent permanent factors. There will be a swinging of the pendulum at periods, but it seems highly probable the investor will ask in future a larger yield upon his capital than hitherto.

That financial institutions and corporations desire better results than afforded by the most famous national securities is becoming more evident every day. Mr. E. A. Hoare, presiding at a recent annual meeting of the Bank of British North America, drew attention to the fact that the bank had sold $681,333 of Consols in which it had invested. "We are sorry," he said, "of the frequent necessity of making provision from our profits for the depreciation of this security, and, therefore, we decided to make a change into exchequer bonds, which are not so liable to fluctuations in price."

The 3½ per cent. Dominion of Canada loans have, therefore, had a more difficult road to success than was the case at one time. The British investor is beginning to take greater chances and at the same time is learning

the art of discrimination. In July, 1909, a Dominion 3½ per cent. loan of £6,500,000 was floated in London, and for the second time Mr. Fielding appealed to the small investor by allowing applications for amounts under £100.

In connection with this loan these small amounts aggregated £5,180. Mr. F. W. Taylor, manager of the Bank of Montreal in London, has kindly given me the following details:—

Bonds.	Applications.	Aggregating.
For £10	25	£250
20	29	580
30	15	450
40	4	160
50	62	3,100
60	6	360
70	4	280
		£5,180

These figures compare with the £6,000,000 Canadian loan made in January, 1909, as follows:—

Bonds.	Applications.	Aggregating.
£10	126	£1,260
20	153	3,060
30	62	1,860
40	28	1,120
50	215	10,750
60	8	480
70	5	350
80	6	480
		£19,360

The Dominion is likely to be a large borrower in coming years, as it has many big undertakings in hand and in view. Provincial government borrowings have been fairly heavy during the past six years, as the above figures show. Few provincial government loans have been marketed in Canada, one notable exception being

an issue of a $3,500,000 loan by the Ontario government, which was raised in Canada. The bonds were sold at a 2 per cent. premium, but the absorption was slow. The rate of interest was 4 per cent.

The following notes respecting the Dominion's borrowings in London since 1907 will be of interest:—

In December, 1907, a loan of £1,500,000 4 per cent. debentures, due 1st October, 1912, was floated at par in London, with option to holders, up to 30th September, 1910, of conversion into 3 per cent. inscribed stock, 1938, on the basis of £105 stock for each £100 in debentures. This loan was raised for the purpose of providing for obligations arising out of construction of public works and for the redemption of maturing liabilities.

In February, 1908, a loan of £3,000,000 3½ per cent. stock, due 1st July, 1950, with option to the Government to redeem at par on or after 1st July, 1930, on giving six months' notice, was floated in London. The loan was issued at par and was raised for the purpose of providing for maturing liabilities, for obligations in connection with the construction of the National Transcontinental Railway, and for other purposes. Holders of the £1,500,000 4 per cent. Guaranteed Intercolonial Railway bonds, which would mature on 1st April, 1908, were offered an equivalent nominal amount of this stock in exchange for the bonds held by them.

In June, 1908, a 3¾ per cent. loan of £5,000,000, due 1st May, 1912, was floated in London. The loan was issued at par and was raised for the purpose of providing for maturing obligations and construction of public works. Holders of 4 per cent. bonds and stock, due 1st November, 1908, were offered in exchange an equivalent nominal amount of this issue.

An option, up to 30th September, 1910, was allowed to holders of this 3¾ per cent. stock and bonds, of con-

version into 3 per cent. inscribed stock, 1938, on the basis of £106 of that stock for each £100 of 3¾ per cent. stock or bonds.

In October, 1908, a loan of £5,000,000, 3½ per cent. stock, due 1st July, 1950, with option to the Government to redeem at par on or after 1st July, 1930, on giving six months' notice, was placed on the London market. The loan was issued at par and was raised for the purpose of providing for obligations in connection with the construction of the National Transcontinental Railway and for other purposes. Holders of 4 per cent. bonds and stock which matured 1st November, 1908, were offered an exchange for an equivalent nominal amount of this stock.

In January, 1909, a loan of £6,000,000 3¾ per cent. bonds, due 1st July, 1919, with option to the government to redeem the whole or any portion by drawings at par on or after 1st July, 1914, on giving three months' notice, was issued at 99¼ per cent. in London for the purpose of meeting maturing obligations to provide funds for the construction of public works, and for general purposes. Holders of these bonds have the option, up to 30th November, 1913, of conversion into the existing 3 per cent. inscribed stock, 1938, on the basis of £110 of that stock for every £100 bond.

In July, 1909, a further loan of £6,500,000 3½ per cent. stock, due 1st July, 1950, with option to the government to redeem at par on or after 1st July, 1930, on giving six months' notice, was issued at £98½ per cent. in London for the purpose of providing for the outstanding balance of the loan maturing 1st January, 1910, and to provide for the advance of $10,000,000 (say, £2,054,794 10s. 5d.) to the Grand Trunk Pacific Railway Company to assist in the construction of the National Transcontinental Railway.

In January, 1910, a loan of £4,000,000 3½ per cent. stock, due July 1st, 1950, with option to the government to redeem at par on or after July 1st, 1930, on giving six months' notice, was issued in London at £99 per cent. for the purpose of providing for the redemption on July 1st, 1910, of the 4 per cent. 1910-35 loan.

In May, 1910, a further loan of £5,000,000 3½ per cent. stock, due July 1st, 1950, with option to the government to redeem at par on or after July 1st, 1930, on giving six months' notice, was issued in London at £99½ per cent. for the purpose of providing for the redemption of £3,500,000 treasury bills, due July 1st, 1910, and £1,500,000 4 per cent. guaranteed bonds, due October 1st, 1910.

Nova Scotia has not marketed a loan in London since 1904. The following loans were floated overseas in the years mentioned:—

Year.	Amount.	Security.
1892	£200,000	3½ per cent. debentures.
1899	164,000	3 per cent. inscribed stock.
1904	650,000	3½ per cent. inscribed stock.
Total....	£1,014,000	

The first loan was required for the purpose of paying off the floating debt of the province, which had in great part arisen from expenditures on public works chargeable to capital—railways, bridges, roads and public buildings—and to provide for expenditure of a similar character already authorized.

Prior to the union of the provinces, Nova Scotia had large transactions in the English money market. The Nova Scotia debentures, which were placed through leading financial houses, held a high position in the list

of Colonial Government securities. All these debentures have matured and have been redeemed. For a number of years after the union of the provinces, Nova Scotia did not issue debentures. The financial arrangements respecting the Union placed to the credit of the province in the Federal treasury a sum of money which was available for expenditure on the public works of the province, and was drawn upon for that purpose. This arrangement was still open to the government of Nova Scotia, there being at the credit of the province at Ottawa upwards of a million dollars. As the Dominion Government were bound by statute to pay to the province a high rate of interest on this money, the government of Nova Scotia decided not to draw from the funds so invested, but to provide for the necessary public services of the country by issuing debentures at a lower rate of interest.

The loan of £164,000 was required for the purpose of paying off certain floating debts of the province, which had in great part arisen from expenditures on public works chargeable to capital, railways, bridge and public buildings, and to some extent to provide for expenditures of a similar character already authorized.

The loan of £650,000 was required for the purpose of paying off certain floating debt of the province, which had in a great part arisen from expenditures on railways, and, to some extent, to provide for expenditures of a similar character already authorized.

In addition to the above loans, debentures of Nova Scotia, amounting to $675,000, dated May 15th, 1905, payable in London, and due 1945, were issued and delivered to the Halifax and South-Western Railway Company in lieu of subsidy in connection with the Halifax and Yarmouth Railway, and they are secured by a first mortgage on the railway; and $304,000 of debentures

payable in London were issued and delivered to the Halifax and South-Western Railway Company in lieu of subsidy for the Middleton and Victoria Beach Railway, and are secured by a first mortgage on that railway. The province holds a mortgage of $3,021,191 on the railway of the Halifax and South-Western Railway Company. This is to secure the advance made to the company in lieu of subsidy, to raise part of which £650,000 of sterling debentures were issued in 1904.

In May, 1911, Nova Scotia had a temporary loan of $1,435,666 for six months, the money being borrowed principally for bridges.

New Brunswick has had no dealings with the London money market since 1908. Borrowing since then has been of a temporary nature.

It will be noted from the following statement of the public debt of the Province of Quebec at June 30th, 1910, that no public loans have been issued since 1897. The statement does not include loans of the province which have been paid:—

Date of Issue.	Amount. Redeemed.	Amount. Outstanding.	Balance.
July 1, 1880....	$3,042,153.33	$1,233,700.00	$1,233,700.00
July 1, 1882....	720,753.33	1,712,580.00	1,712,580.00
do. do.	286,000.00	780,500.00	780,500.00
Jan. 1, 1888.....	330,933.33	3,182,800.00	3,182,800.00
Mar. 1, 1894....	389,333.33	2,530,666.67	2,530,666.67
Dec. 30, 1894...	....	5,332,976.00	5,332,976.00
May 1, 1896.....	2,725,333.33	292,000.00	292,000.00
April 1, 1897....	....	1,360,000.00	1,360,000.00
April 1, 1897....	....	9,236,061.48	8,133,143.28
	$7,494,506.65	$25,661,284.15	$24,558,365.95

The loan of December 30th 1894, is redeemable after January 20th, 1905, by six months' notice.

Date of Issue.	Date of Maturity.	Where Payable.	Rate %	Amount of Loan.
July 1, 1880	July 1, 1910	London or Paris	4½	$4,275,853.33
July 1, 1882	On or after July 1, 1912, by one year's	do.	5	2,433,333.33
do. do.	notice.	Quebec	5	1,066,500.00
Jan. 1, 1888	Jan. 1, 1928	London or Paris	4	3,513,733.33
Mar. 1, 1894	Mar. 1, 1934	London or Mont.	4	2,920,000.00
Dec. 30, 1894	Jan. 20, 1955	Paris	3	5,332,976.00
May 1, 1896	May 1, 1936	London or Mont.	4	3,017,333.33
Apr. 1, 1897	Apr. 1, 1937	do. do.	3	1,360,000.00
Apr. 1, 1897	Apr. 1, 1937	do. do.	3	9,236,061.48
				$33,155,790.80

The present outstanding debt of Manitoba Province is $12,762,926, much of which has been floated in the London market. The following table gives details of the Manitoba borrowing since 1888:—

Date.	Amount.	Where made.	Rate %	Purpose.
May 1, 1888	$1,498,933	London	5	Public buildings, etc.
Dec. 30, 1893	997,666	do.	4	do.
Nov. 1, 1900	500,000	Chicago & Mont.	4	do.
July 1, 1907	1,000,000	Montreal	4	Telephone construction.
July 1, 1907	3,399,853	do.	4	Bell Telephone purchase
July 1, 1909	499,806	do.	4	Telephone construction.
May 1, 1910	4,866,666	London	4	Telephone construction, grain elevators, etc., and drainage.

All these issues were in debenture form except that of May, 1910, which was a stock issue.

The intrinsic merit of Canadian provincial government securities, it is to be feared, have not been fully appreciated in Great Britain. This point is exemplified by the fact that in nearly every case the principal city of a province of Canada can borrow on as good terms as the province in which that city is situated.

CHAPTER VIII.

MUNICIPAL BORROWINGS IN LONDON.

The Canadian municipalities have been heavy borrowers, as the following summary of flotations in London, from January, 1905, to April, 1911, shows:—

City.	Amount.
Winnipeg, Man.	£2,827,642
Montreal, Que.	2,523,800
Vancouver, B.C.	1,968,900
Edmonton, Alta.	802,100
Calgary, Alta.	583,200
Maisonneuve, Que.	879,000
Westmount, Que.	500,000
Toronto, Ont.	394,100
Victoria, B.C.	277,300
Hamilton Ont.	204,100
Saskatoon, Sask.	188,600
Regina, Sask.	318,300
Quebec, Que.	407,621
Fort William, Ont.	165,100
Ottawa, Ont.	156,900
St. John, N.B.	115,000
Port Arthur, Ont.	110,700
Sherbrooke, Que.	102,700
Moose Jaw, Sask.	101,300
	£12,626,363

Eighteen cities and towns have obtained £12,626,-363. This is more than £4,000,000 in excess of the provincial government's total loans in the six years' period. Winnipeg and Montreal have been the most fre-

quent visitors to the overseas market, and have obtained the largest aggregate sums. Vancouver loans were not far short of £2,000,000, while Edmonton and Maisonneuve obtained a little less than £1,000,000 each. The loans of Maisonneuve and Westmount together amounting to £1,379,000 should be added to those of Montreal, as they are now suburbs of that city. This gives Montreal total borrowings of £3,902,800, placing that city at the head of the list. It is interesting to examine these borrowings by provinces as in the following table:—

Province.	Amount.
Quebec	£ 4,413,121
Manitoba	2,827,642
British Columbia	2,246,200
Alberta	1,385,300
Ontario	1,030,900
Saskatchewan	608,200
New Brunswick	115,000
Total	£12,626,363

This is a somewhat surprising result, it being generally thought that municipal borrowings in the prairie provinces were heavier than elsewhere. Quebec province is more than £1,000,000 ahead of Manitoba, which has the next largest total. Montreal contributes the best part of the Quebec provincial record Ontario's loans are half those of British Columbia, and Saskatchewan's borrowings amount to half those of Alberta. New Brunswick is the only Maritime representative with a small loan of £115,000 obtained by St. John city. It would seem that Montreal, Winnipeg and Vancouver especially should examine their borrowing position with great care, while Edmonton's figures are also sufficiently large for caution. The entire municipal situation in relation to borrowing should be carefully analyzed by the contributing cities.

The following are the details of municipal flotations in London, by years:—

1905 (City).	Amount.
Quebec	£ 78,000

1907.	
Winnipeg	£327,642
Regina	111,000
Edmonton	139,400
Vancouver	244,900
	£822,942

1908.	
Regina	£113,700
Edmonton	187,400
Montreal	1,000,000
Winnipeg	1,500,000
Quebec	113,921
Saskatoon	100,000
Calgary	133,000
Vancouver	405,000
Victoria	159,800
Sherbrooke	102,700
St. John	115,000
	£3,930,521

1909.	
Montreal	£ 400,000
Winnipeg	500,000
Calgary	124,800
Ottawa	156,900
Toronto	394,100
Vancouver	286,400
Edmonton	187,300
Fort William	60,000
	£2,109,500

1910.

Calgary	£ 325,400
Montreal (town of St. Louis)	123,800
Winnipeg	500,000
Edmonton	288,000
Vancouver	453,600
Fort William	105,100
Montreal	1,000,000
Moose Jaw	101,300
Saskatoon	88,600
Regina	93,600
	£3,079,400

1911 (to April).

Westmount	£ 500,000
Hamilton	204,100
Maisonneuve	879,000
Victoria	117,500
Port Arthur	110,700
Vancouver	579,000
Quebec	215,700
	£2,606,000

Conditions in municipal finance have been similar in recent years, the demand for funds having continued with but slight variation. Municipalities generally are financing current requirements only, the majority having, during 1908, liquidated accumulated bank loans by issuance of term debentures.

Certain cities and towns have been somewhat lax in the past regarding the proper provision of sinking funds and the preparation of money by-laws that they may be absolutely indisputable one year or thirty years hence. Great Britain is apparently able, with its unique investment judgment, to make due allowance for those shortcomings which heretofore have not reacted considerably

upon Canadian municipal credit. This may not always be so. On the other hand, it is only fair to note that the chartered banks and bond houses, usually the sponsors of these particular flotations, have invariably acted as a valuable influence to the maintenance of good credit. The municipalities also have shown much more disposition to regard their credit as a delicate and important factor. Room for this criticism, therefore, shortly should not exist.

Sixteen Canadian bond houses have interested twelve millions of dollars of British capital in Canadian municipal bonds. Of these, four dealers have supplied me with figures for five years. Some have only recently interested the English investor. Allowing for that fact, the average annual investment is perhaps three million dollars. The Old Country buyer apparently prefers straight term or sinking fund bonds. In that way the principal is not disturbed. Occasionally instalment school bonds have been sold, but not to any great extent. The method of repayment apparently does not suit the market well. The demand for municipal bonds would probably have been larger but for the fact that the return of the higher class securities is apparently not considered large enough.

Some selling agencies think that the English market desires municipal bonds that can be placed at par or at a slight premium rather than at a discount. The experience of certain firms is that municipal bonds selling at a discount which would give decidedly good yields are not acceptable, no matter how excellent they may be. The credit of Canadian municipals in London is fairly high and the outlook for an increased demand is good. The investor has a fair appreciation of the rapid municipal expansion, recognizing that considerable sums are needed for the financing of this development. An improvement

in the British call for Canada's municipals will perhaps to some extent depend upon the united action of Canadian municipalities with regard to their borrowing policy.

Mr. E. R. Wood recently drew attention to the fact that Canadian municipalities are realizing the importance of placing their finances on a sound business basis, and adopting a conservative policy in regard to all expenditures. For some years past the rapid growth of Western Canada placed the progressive cities and towns under the necessity of making heavy capital expenditures, in order to provide those utilities demanded by modern standards of health and comfort.

To the conservative investor these frequent loans were not always acceptable, but to-day the credit of our Western municipalities stands high. There is a growing public sentiment in Western Canada against extravagance in municipal finances. Nothing is more indicative of the high standing of Western municipal securities than the growing favor with which they are being regarded by the British investing public. A few years ago only the obligations of the largest centres in Western Canada could be placed in the London market, while, during the present year, the British investor has taken in quantity the debentures of those smaller cities and towns whose location and natural advantages give promise of rapid and permanent expansion.

Eastern municipalities have, as a rule, pursued their usual conservative policy in making new expenditures, and, as a result, their debentures have been readily absorbed both at home and abroad.

Canada depends largely upon Great Britain for municipal loans. The following table, showing Canadian municipal issues in 1910, will be sufficient evidence:—

Canadian Municipal Issues, 1910.

Eastern municipalities issued	$19,120,660
Western municipalities issued	15,826,580
School districts issued	801,450
Total	$35,748,690
Sold in Great Britain	$23,355,128
Sold in Canada	12,043,562
Sold in the United States	350,000
	$35,748,690

Of the total, $35,748,690 municipal issues, therefore, emitted by 141 Western municipalities and 160 Eastern municipalities last year, 65.30 per cent. was absorbed in Great Britain, 33.70 per cent. in Canada and 1 per cent. in the United States.

In some quarters hopes have been raised that Canadian municipal bonds may be introduced on the Bourse in the near future. It seems improbable that the French people will ever become active bidders for the bond issues of Canadian cities. The market for Canadian bonds is mainly in Great Britain. The people there are familiar with this type of issue, and appreciate conditions governing the value of such issues. Then again there are a number of people in England, large banking firms and private investors, who make a specialty of such issues and will bid prices which the French investor would regard as earning too low an interest rate for him to place his money there. Further, the French investors have most of their resources for this type of security taken up with the European national and municipal issues. Especially is this true in regard to the Russian loans which have been floated during the past two years. All of those have almost entirely been underwritten by French firms. They are familiar with these stocks, and hence they like to deal with them.

In connection with the buying by Great Britain of municipal securities it must be remembered that the home demand is large. Banks, insurance companies and numerous other financial institutions are heavy investors in the Dominion's municipals. The strength of the market is well proved by the fact that despite the recent tendency to see a higher yield on capital, municipals offering a comparatively small return and good security have attracted more attention during the latter part of the six years' period than during the former part.

CHAPTER IX.

THE FINANCING OF CANADIAN RAILROADS.

Canada owes much to the British investor, if only because he has almost entirely financed its extensive railroad system. Before analyzing loans raised for this purpose, a few statistics respecting the growth of Canadian railroads will be of interest. In 1836, there were only 16 miles in operation. In 1867, the year of confederation, 2,278 miles were being operated. In 1884, for the first time the mileage exceeded 10,000; to be exact, 10,273. In 1910, the mileage had increased to 24,731, and during the present year railroad construction is very active. The following table shows the distribution of railroad mileage by provinces:—

	Miles.
Ontario	8,230.25
Quebec	3,794.94
Manitoba	3,220.62
Saskatchewan	2,931.90
Alberta	1,488.42
British Columbia	1,832.28
New Brunswick	1,521.65
Nova Scotia	1,350.56
Prince Edward Island	269.33
Yukon	90.91
Total	24,730.86

The mileage during the next few years will probably show large increases in Northern Ontario, Saskatchewan, Alberta and British Columbia particularly. The total of outstanding railroad obligations in 1910 was $1,410,297,687. Mr. A. W. Campbell, the Deputy Minister of the Department of Railways and Canals, Ottawa, has made an earnest effort to ascertain what deduction should be made from the total capital liability of Canadian railways. He has allowed for many special conditions, such as government subsidies, extinct stock and bond obligations, absorption of small railroads, railroads in stages of construction, etc. He has fixed the amount at $226,298,988. When this is subtracted from the $1,410,297,687 given above, the aggregate capital liability is reduced to $1,183,998,699.

There are in the Dominion 2,043.84 miles of government owned and operated railway, against which neither stocks nor bonds are outstanding. There are also 75.36 additional miles of line to which no capital liability is attached. These two items make a total of 2,119.20 miles, which should be deducted, for the purpose of the present calculation, from the 24,731 given as the total railway mileage. Dividing 22,612 miles of railway into a total capitalization of $1,183,998,699 we have $52,361 as the quotient. That is the actual outstanding capital liability per mile against railways in Canada.

Only 7 per cent. of Canadian railroads are owned by the Government. Canada has the largest railway mileage in the world in proportion to its population, and its railroad mileage has increased in forty years from 2,617 to 24,731 miles, or 845 per cent.

Compared with European countries, Canada is third in the list in the matter of railway mileage increase during the past fifty years, with a percentage gain of 1,132.

The following is a summarized statement of Canadian railroad borrowing for the past six years and four months, ended April, 1911:—

Railway.	Amount.
Grand Trunk Pacific	£17,900,000
Grand Trunk Pacific Branch Lines Co.	1,270,500
Canadian Northern	12,742,784
Canadian Northern Ontario	1,593,569
Canadian Pacific	10,857,200
British Columbia Electric	3,615,000
Grand Trunk	3,348,400
Alberta and Great Waterways	1,520,550
Canada Atlantic	1,025,000
Duluth, Winnipeg and Pacific	950,000
Nova Scotia Eastern	940,000
Atlantic, Quebec and Western	925,000
Algoma Central and Hudson Bay	770,000
Wisconsin	514,403
Winnipeg Electric	300,000
Montreal Street	460,000
Central Ontario	200,000
Dawson, Grand Forks and Stewart	125,000
Central Counties	97,500
Temiscouata	50,000
	£59,204,906

In railroad borrowing, one of Canada's new Transcontinentals, the Grand Trunk Pacific, is the heaviest debtor with £17,900,000. Adding to this the £1,270,500 obtained for its branch lines, there is a total for that road of £19,170,500, or almost one-third of the aggregate railroad borrowing of Canada in the past six years.

The Canadian Northern, which will also have a transcontinental road in a few years, is not far behind its rival, for it has obtained in London £12,742,784. To this should be added its Ontario lines, which have borrowed £1,593,569, giving the Canadian Northern a total of £14,336,353, about one-quarter of the aggregate

railroad loans. These two roads together have obtained overseas £33,506,853 of a total of £59,204,906. Three electric railways, the Winnipeg, the Montreal and the British Columbia, borrowed in the six years £4,375,000, the British Columbia Electric having had £3,615,000 of that amount, The Canadian Pacific's loans are chiefly represented by new stock issues.

The following are the details of the railroad flotations in London, by years:—

1905.	
Canadian Northern Ry.	£ 600,000
Grand Trunk Pacific Ry.	3,004,000
Canadian Northern Ry.	1,923,287
Grand Trunk Pacific Ry.	3,200,000
Canada Atlantic Railway Co.	1,025,000
Nova Scotia Eastern Ry.	940,000
Canadian Northern Ry.	1,240,000
British Columbia Electric Ry.	185,000
	£12,117,287

1906.	
Dawson, Grand Forks and Stewart Ry.	£ 125,000
Grand Trunk Ry.	1,000,000
Atlantic, Quebec and Western Ry.	750,000
Temiscouata Ry.	50,000
Canadian Northern Ry.	1,000,000
	£2,925,000

1907.	
Grand Trunk Pacific Ry.	£1,000,000
British Columbia Electric Ry.	300,000
Canadian Northern Ontario Ry.	793,569
British Columbia Electric Ry.	100,000
Canadian Pacific Ry.	4,857,200
	£7,050,769

1908.

Grand Trunk Pacific Ry.	£1,000,000
Grand Trunk Ry.	1,000,000
Montreal Street Ry.	460,000
Grand Trunk Pacific Ry.	2,000,000
Canadian Northern Ry.	2,000,000
British Columbia Electric Ry.	200,000
Canadian Northern Ry.	1,027,400
Grand Trunk Ry.	598,400
British Columbia Electric Ry.	500,000
Central Ontario Ry.	200,000
	£8,985,800

1909.

Grand Trunk Pacific Ry.	£1,000,000
Winnipeg Electric Ry.	300,000
Grand Trunk Pacific	1,000,000
Canadian Northern Ontario Ry.	800,000
Canadian Northern Ry.	1,200,000
Grand Trunk Pacific Ry.	2,000,000
Canadian Pacific Ry.	6,000,000
Wisconsin Ry.	514,403
Atlantic, Quebec and Western Ry.	175,000
Alberta and Great Waterways Ry.	1,520,550
Canadian Northern Ry.	850,000
	£15,359,953

1910.

British Columbia Electric Ry.	£ 600,000
Grand Trunk Pacific Railway Co.	1,000,000
British Columbia Electric Ry. Co., Ltd.	530,000
Canadian Northern Ry.	1,000,000
Central Counties Ry. Co.	97,500
Grand Trunk Pacific Branch Lines Co.	1,270,500
Duluth, Winnipeg and Pacific Ry. Co.	950,000
British Columbia Electric Ry.	600,000
Grand Trunk Pacific	2,000,000
Algoma Central and Hudson Bay Ry.	770,000
	£8,818,000

1911 (to April).

Grand Trunk Ry.	£ 750,000
Grand Trunk Pacific Ry. Co.	696,000
Canadian Northern Ry.	358,888
Canadian Northern Ry.	1,543,209
British Columbia Electric Ry.	600,000
	£3,948,097

While France has helped to finance the Algoma Central Railway extensions in connection with the operations of the Lake Superior Corporation, London capitalists are advancing most of the cash. The line will be extended 150 miles to connect with the Canadian Pacific, which will cost about $4,000,000. The road will then be continued to make connections with the National Transcontinental Railway. The Lake Superior Corporation last year secured at least £1,200,000 privately in London. A London and Canadian syndicate is also interested in the proposed construction of the Eastern Railway from a point on the Intercolonial at or near Dartmouth, N.S., to Guysborough, with certain branch lines. A contract has been signed between the Nova Scotia Government and the railway company, which will probably complete the road within three years. It has subsidies from the Dominion and provincial governments of $12,800 a mile. The same people have purchased the Dickie and other timber areas in Nova Scotia amounting to 440,000 acres

The stock of the Canadian Pacific Railroad Company is probably the most widely held of any American road, with the exception of the Pennsylvania, which recently reported 64,869 shareholders. There is considerable difficulty in learning the number of shareholders of the Canadian railroads and in what countries the stock is held. Sir Thomas Shaughnessy informs me that

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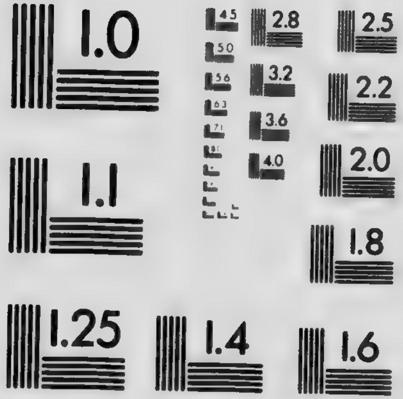

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the total number of Canadian Pacific shareholders is about 24,000, the number of Canadian holders being 2,500. Nearly all the four per cent. perpetual debenture stock and the four per cent. preference stock is held in Great Britain. Of the common stock, holders in Great Britain have approximately 65 per cent., 15 per cent. being held on the Continent, while the remaining 20 per cent. is divided evenly between Canada and the United States.

Grand Trunk shares are held by 54,200 persons, against 52,900 a year ago. This puts the Grand Trunk second only to the Pennsylvania Railroad, which has 64,869 shareholders. The Grand Trunk has £22,474,992 common and £23,173,632 preferred, and, as is well known, the shares are almost exclusively held in England.

Mr. Charles M. Hays, president of the Grand Trunk, tells me that from seventy-five to ninety per cent. of that road's shareholders are residents in Great Britain. Ninety-eight per cent. of the securities of the Canadian Northern Railway are held in the United Kingdom.

Mr. Brunner, of the Brunner banking house, Brussels, twenty-five years ago first interested Belgian capital in Canada in the shape of investments in Canadian Pacific Railroad stock. At that time, he tells me, he experienced great difficulty in convincing his countrymen that the Dominion was more than a wild stretch of ice and snow and the Canadian Pacific something more than a fantasy. In those days Canadian Pacific Railroad was selling at 58. Belgian investors, therefore, have no reason to regret their confidence in this Canadian enterprise. Mr. Brunner's clients have invested several millions of dollars in other Canadian-owned securities, more especially Sao Paulo, Rio, and Mexican railroads.

German capital has become interested to a small extent in the Canadian Northern enterprise, and is likely to become further interested in the near future.

The British investor has suffered some losses in his liberal financing of Canada's railroads. The collapse of the Charing Cross Bank in 1910, which was heavily interested in the Atlantic, Quebec and Western Railway, is one instance. This road had borrowed at least £925,000 in Great Britain. Grand Trunk shareholders have not enjoyed an enviable dividend record. The third preference stock received a dividend of ½ of 1 per cent. for the half year ended December, 1910. This was the first disbursement on that stock since 1907. It is only fair to note, however, that in the capable hands of Mr. Charles M. Hays, the president, the road is making gradual and progressive strides. Mr. A. W. Smithers, its chairman, recently described its position as a poor company without a land grant doing an immense work with limited means.

The most curious railroad flotation of recent years was that of the Alberta and Great Waterways Railway, which was to open up the great Peace River country north of Edmonton. In December, 1909, $7,400,000 5 per cent. 50-year first mortgage bonds of the road were sold in England. The securities were guaranteed as to principal and interest by the Provincial Government of Alberta. The issue was made by the London branch of Messrs. J. S. Morgan & Company. Mr. W. R. Clarke, a banker of Kansas City, was understood to be chiefly interested. It was proposed to build the road from Edmonton, north-east of the Athabaska River, to Fort McMurray, a distance of about 350 miles. Of the total issue $400,000 covered Edmonton terminals, but the bulk of the loan was based on a guarantee of $20,000 per mile on the main line and branches. The bonds,

issued at 110, were rapidly subscribed. Criticism was heard in London to the effect that the Alberta Government were ill-advised in their guarantee, which worked out at about 4½ per cent., when it might just as well and as satisfactorily have been done upon a 4⅜th basis.

A crisis in the Alberta Legislature occurred as a result of the provincial government's efforts to force the railroad agreement. The cabinet was dissolved and a royal commission appointed to investigate the deal. The commission's report was non-committal and the commission failed to take the evidence of most important witnesses, including Mr. Clarke, of Kansas City, the chief promoter. The provincial government then decided to cancel the railroad agreement, alleging that the company had defaulted in its bond interest. The money raised by the sale of the railroad bonds in London was on deposit in three banks in Edmonton, the bulk being with the Royal Bank. The government now seeks this money, proposing to utilize it for general public improvements within the province.

In the meantime, the British bondholder must feel himself in a somewhat peculiar position, even if not as a political shuttlecock. His chief consolation is that the Alberta government have guaranteed the bonds which he holds. This guarantee will be respected by the provincial government whatever happens.

CHAPTER X.

INDUSTRIAL INVESTMENTS IN CANADA.

Until recently, British capital has shown comparatively little interest in the development of Canadian industries. During the past two years particularly, a notable change has occurred in this direction, and British capitalists are devoting considerable attention to industrial development in the Dominion. The following table gives the details of Canadian borrowings in Great Britain for the period under review (January, 1905, to April, 1911), for industrial, light and power purposes:—

1905.	
Imperial Paper Mills of Canada, Limited	£ 60,000
Montreal Light, Heat and Power Co.	150,000
Shawinigan Water and Power Co.	500,000
Western Canada Pulp and Paper Co.	300,000
	£1,010,000
1906.	
Canadian General Electric	£ 220,000
Electric Development Company of Ontario	500,000
Canadian Pacific Sulphite Pulp Co.	82,500
	£ 802,500
1907.	
Annapolis Iron Co.	£ 140,000
Shawinigan Water and Power Co.	200,000
Mexican Light and Power Co.	480,000
Canadian General Electric Co.	400,000
	£1,220,000

1908.

Penmans, Limited	£ 300,000
Montreal Light, Heat and Power Co.	80,000
Richelieu and Ontario Navigation Co.	200,000
Kaministiquia Power Co.	265,000
West Kootenay Power and Light Co.	240,000
Penmans, Limited	170,000
Toronto Power Co.	500,000
Western Canada Flour Mills Co.	225,000
Canada Iron Corporation	364,000
	£2,344,000

1909.

Montreal Water and Power	£ 100,000
Montreal Cotton Co.	200,000
British Canadian Asbestos Co.	144,032
National Drug and Chemical Co. of Canada	300,000
Lake Superior Corporation	1,028,806
Northern Light, Power and Coal Co.	411,522
Standard Chemical Co. of Toronto	100,000
Canadian Car and Foundry Co.	648,148
	£2,932,508

1910.

Ocean Falls Co., Limited	£ 300,000
Canadian Car and Foundry Co.	482,877
Calgary Power Co., Limited	350,000
Pryce Jones (Canada), Limited	70,000
Steel Co. of Canada, Limited	924,600
National Drug and Chemical Co. of Canada, Limited	49,370
Price Bros. & Co., Limited	1,000,000
Canadian North Pacific Fisheries Co.	400,000
Western Canada Bag and Envelope Co.	12,000
Noiseless Typewriter Co.	20,000
	£3,608,847

1911 (to April).	
Canadian Steel Foundries	£ 410,900
Bell Telephone Co. of Canada, Limited	250,000
P. Burns & Co., Limited	200,000
Lake Superior Paper Co., Limited	719,000
Spanish River Pulp and Paper Mills	267,000
Standard Chemical, Iron and Lumber Co. of Canada	200,000
Minnesota and Ontario Power Co.	100,000
Canadian Cottons, Limited	370,000
	£2,516,900

The liking of the London market for equipment issues is noticeable in the above list. Ten electric light, heat or power companies obtained nearly four millions sterling. The Shawinigan Water and Power Company obtained altogether £700,000 and the Montreal Light, Heat and Power Company £230,000. One of the largest industrial borrowers was the Canadian Car and Foundry Company, its loans amounting to £1,131,025. Pulp and paper companies borrowed altogether in the six years £2,368,500. Two iron corporations, the Annapolis and the Canada, got between them £504,000.

Considerable British capital has been devoted to the development of our coal mines, our iron and steel industries, our lumber, pulp and paper industries, our fisheries, our milling industries, our various lines of manufacture, and other more or less local and domestic enterprises.

Canadian government municipal and railway securities have long been regarded with favor by British investors. A general survey of the Canadian outlook and the progress of Canadian development gave satisfactory assurance of returns from investments of this nature. But large investments in miscellaneous securities show a more intimate and detailed knowledge of Canada's commercial and industrial activities. The British

investors are becoming familiar with Canada's more localized undertakings. They are finding it advantageous to consider the outlook of the various industries affording openings for profitable investments.

The American is closely allied with Canada's industrial development, and has placed large amounts of money therein. If the present tendency in Great Britain continues, it is likely that within a few years we may find the Britisher and the American not only keen rivals for the import trade of Canada, but also for shares in the financing of its industrial growth.

It is stated that $1,000,000 of English capital will be invested in a new whitewear company with a factory at Three Rivers, Quebec. British manufacturers of high grade ammunition are contemplating the establishment of an assembling plant at Fort William, while a Scotch syndicate were recently considering the manufacture of fertilizers at Sydney. C.B. An English and New Brunswick syndicate was organized in January with capital stock of $5,000,000 for the purpose of developing the mineral oil industry in connection with the shale deposits of Alberta and Westmoreland counties, New Brunswick. Other proposed British enterprises in the industrial line are an electric smelting plant on the Ottawa River, a steel plant on the Fraser River, British Columbia, a lace factory, a perforated music factory, and a furniture factory.

British capital also became interested this year in a power street railway scheme at Saskatoon, while an English salt firm had under consideration the establishment of a branch factory in Ontario. The stockholders of the Canadian Locomotive Works, Limited, of Kingston, Ont., in June accepted the offer of an English syndicate for the sale of the works. The company was reorganized, the capital stock increased, and the capacity of the works doubled.

In tramway, light and power and industrial bond issues the British investor is prominent. Taking the figures for 1910, we have the following result respecting a total of $7,945,400 tramway, light and power loans:—

Sold in	Amount.	Percentage share.
Great Britain	$4,850,000	61
Canada	3,095,400	39

Of a total of $56,856,500 miscellaneous issues, which included a large number of industrials, the following was the disposition in 1910:—

Sold in	Amount.	Percentage share.
Great Britain	$43,847,500	76.92
Canada	12,859,000	22.73
United States	150,000	0.35

This represents the absorption of industrial bond issues alone, and naturally does not show the extent to which American capital has participated in Canadian industrial development. In the opinion of Mr. E. R. Wood, the prominent Toronto financier, the increase of British patronage of light, power, tramway and industrial issues was the most significant feature of Canadian bond sales during 1910.

The visit of Sir George Doughty to Canada in 1910 was significant in view of his inspection of fisheries off the coast of British Columbia in the interest of influential British investors. It is understood that he has strongly advised that steps be taken to establish a Canadian fishing industry in British Columbia backed by British capital. There is an abundance of whitefish and salmon in the fisheries extending from Vancouver north to Stewart. At present these waters are almost exclusively used by Americans and Japanese. In June, Sir George announced his intention of engaging in the fishing business at Prince Rupert, B.C.

Another phase of this subject was discussed by Sir William Priestley, a prominent British manufacturer, on a visit to Canada. He was asked many times if he would justify the establishment of manufactories in Canada, and invariably responded by asking, "What do you mean by the word 'manufactory'?" In Great Britain, it is understood the men who take hold of the raw material are making it into the finished article. In Canada it is spoken of as taking the finished article in bulk from Great Britain or the continental powers of Europe, and simply transforming it into a commodity for the individual.

Sir William would not advocate the establishment of factories in Canada as he understands them in Great Britain, because the purchasing power of Canada to-day is not great enough to justify anyone connected with most of the industries to establish a concern where he has to take hold of the raw material and turn out the finished article, with only 8,000,000 of people—which is about the population to-day of the city of London, and not equal to that of Lancashire.

"For example, in British Columbia," said Sir William, "I was asked why I, in the worsted trade, could not establish a concern in that province. I replied that their area was as great as France, Prussia and Bavaria together, but that their population, for purchasing power, was only a little greater than my city of Bradford in England. Therefore, it would be foolish for me to think of establishing a manufacturing concern in British Columbia, or even for the consumers in British Columbia to think that such a concern could sell to them economically. The demand upon variety in Vancouver and Victoria is just as great with respect to men's wear and women's wear as it is in any great city in England; and no manufacturer of men's wear and women's wear could

possibly make a profit of the consumption of the people of British Columbia, because the cost of production would be so tremendous, to meet all the varied demands. Besides, if politicians in Canada look into the question seriously of the upbuilding of manufactories, they will find there is some natural cause why certain industries have centred in certain districts and in certain countries; and before any English manufacturer in any branch of industry could say he could establish an industry in any part of Canada, he would have first to go very deeply into the natural conditions—water, humidity, and many other qualities that are necessary to different industries.

"After putting the matter in this crude way, I have come to the conclusion that Canada has before her a great future as a manufacturing country; and I seriously believe that what she must do is, first, to increase as rapidly as possible her population, and thereby increase her productive power, and her purchasing power."

Another important development is the interest of large British firms in the establishment of shipbuilding plants, floating and dry docks in Canada, and the sending of capital from other sources for the same purpose. A large number of new dry docks have been mooted, of which the following are the principal:—

Company.	Proposed Location of Dock.	Estimated Cost of Dry Dock.
Vancouver Dry Dock and Shipbuilding Co.	Burrard Inlet, B.C.	$1,214,150
Canadian Vickers, Maxim Co.	Montreal, Que.	4,000,000
British Columbia Marine Railway Co., Limited	Esquimalt, B.C.	3,000,000
Grand Trunk Pacific Railway Co.	Prince Rupert, B.C.	2,000,000

Company.	Proposed Location of Dock.	Estimated Cost of Dry Dock.
Dominion Dry Dock Co.	Levis, Que.	....
Esquimalt Graving Dock and Shipbuilding Co.	Pacific Coast	2,637,800
British Canadian Shipbuilding and Dock Co.	Sydney, N.S.	6,000,000

Many, if not all, of these schemes will probably materialize. It is definitely decided that Montreal is to have a first-class dry dock, and undoubtedly the Grand Trunk Pacific Railway will build one at Prince Rupert. The Dominion Dry Dock Company may build at St. John, N.B., instead of Levis. In all the above proposals British capital forms the backbone.

The Dry Dock Subsidies Act of 1910 gives encouragement to investments of this nature. This Act differentiated between first and second-class docks as follows:—

> "**A first-class dock** shall be capable of receiving and repairing ships of at least 25,000 tons; shall cost not more than $4,000,000; and bonds to this amount or less shall be guaranteed for a term of 35 years.
>
> "**A second class dock** shall be capable of receiving and repairing ships of 15,000 tons; the cost shall not exceed $2,500,000; and the bonds shall be guaranteed for the term of 15 years."

The rapidly increasing interest of British capital in Canadian industrial growth is one of the most important developments of recent years.

CHAPTER XI.

INVESTMENTS IN CANADIAN LAND AND LUMBER.

In land and timber properties there is a small amount of British money when compared to the investments of United States interests, although much more British cash is now being invested. The estimate of United States capital in British Columbia mills and timber is $52,000,000. Great Britain's land and timber investments can scarcely exceed in the six years a sum of $24,000,000. The large railroad corporations have been instrumental in selling considerable land areas overseas, while land companies, some with offices on both sides of the Atlantic, have disposed of many thousands of acres.

Timber propositions apparently have been almost monopolized by United States capitalists, when considering money other than Canadian. In real estate, while the British investor does not predominate, he holds large areas in the aggregate, and is buying heavily at the present time. If any provinces are more favored than another by the English buyer they appear to be British Columbia and the Western provinces, although Ontario real estate has also attracted considerable sums. While there is comparatively little English capital in the lumber industry except a few instances where sawmills have been established in connection with pulp manufacturing plants, activity is noticed in the development of fruit lands in British Columbia's interior. These areas are

acquired, irrigated and then leased, or sold, in small holdings. This is recognized as a good opportunity for returns. Irrigated lands in Alberta have also met with a large sale. During 1910, the Britisher exhibited greater interest in lumber propositions.

The following is a list of the land and lumber company flotations in London from January, 1906, to April, 1911:—

1906.	
Western Canada Land Co.	£ 300,000
Southern Alberta Land Co.	400,000
	£ 700,000
1907.	
Canadian Estates, Limited	£ 215,000
Western Canada Timber Co.	75,000
	£ 290,000
1909.	
British Columbia Fruitlands, Limited	£174,600
Southern Alberta Land Co.	300,000
	£474,600
1910.	
British Columbia Fruitlands, Limited	£ 174,600
Canadian Western Lumber Co., Limited	1,500,000
Western Canada Land Co., Limited	300,000
British Empire Timber Co.	500,000
Dominion Sawmills and Lumber Co., Limited	800,000
Swanson Bay Forests, Woodpath and Lumber Mills, Limited	150,000
Canadian Mills and Timber, Limited	100,000
Anglo-Canadian Land Co., Limited	475,500
Dominion Sawmills and Lumber Co	800,000
	£4,800,100

1911 (to April).

Canadian Wheatlands, Limited	£ 350,000
North Saskatchewan Land Co., Limited.........	450,000
Anglo-Canadian Timber Co. of British Columbia	225,000
Columbia River Lumber Co.	600,000
	£1,625,000

Two of the companies, the Southern Alberta and Western Canada, went to the London market twice, the former obtaining a total of £700,000 and the latter £600,000. Most of the loans were raised in connection with Western lands. Among the purposes of issue were colonizing, fruit land development, saw-milling and lumber cutting.

The buying of town and city real estate is a growing feature. Britishers own property, in some cases very valuable, in all the leading municipalities. Land purchases for the next few years will probably be confined chiefly to the prairie and the Pacific Coast provinces. Wheat and farming lands will likely be the chief choice in the former, while fruit lands are making the best appeal to British capital in British Columbia.

The rapid appreciation of real estate values in or near growing towns, large and small, is becoming a matter of more common knowledge across the ocean. The manner in which Canada has developed, and is still developing, transportation facilities is one of the most important aids to the increasing value of real estate. The Dominion experiences periodical "booms," which are unhealthy for legitimate speculation and investment. The trouble is that the future is sometimes discounted to too great an extent. Conservative financiers and Canadian bankers generally have in the past acted as an effective check to wild speculation in land. A knowledge of Canadian conditions and possibilities, national

and local geography, is obviously essential to the purchase of land which will yield a good return to the investor.

In the past six months a large amount of British capital has been placed into Canadian lands and city and town real estate. A British syndicate purchased for cash three large blocks of Canadian Northern land in Saskatchewan, the deal amounting to more than $2,000,000. Another syndicate has purchased city blocks in many districts in Western Canada, while English and Scotch investors recently secured control for about $500,000 of 250 acres along the Lake Shore Road, Toronto. Another English syndicate has purchased orchards in Ontario and Nova Scotia. The products therefrom will probably be shipped to the London market.

Among recent real estate deals are the purchase of the Dominion Trust Building at Vancouver by English capital for approximately $1,000,000. An English syndicate has also studied the field with the intention of expending $1,250,000 in the establishment of summer hotels throughout the Dominion. Much money is likely to be invested by Great Britain in Canadian real estate during the next few years.

Mr. H. V. F. Jones, the London manager of the Canadian Bank of Commerce, after a trip through Canada last year, was inclined to the belief that in a great many cases in the West the prices being paid for outside properties is not justified by local conditions. One hesitates to say, with past experiences in view, that these prices will not still advance, but he advocated for British investors the necessity of exercising the utmost caution in speculating in properties outside the towns proper. In several of the large Western centres there probably will be scope for investments in city property

for some time to come, but even in this caution is desirable.

Until recently the Americans controlled by far the greatest proportion of timber limits and pulp mills. Early this year British investors purchased timber in British Columbia, one deal involving the sum of $2,000,-000, while English capitalists purchased late last year 56,000 acres of pulp-wood limits on the north-west coast of Vancouver Island. Another million dollar deal was consummated about the same time in Canada's Pacific Coast province. An influential financial company, of London, not long ago acquired the Dickie timber limits of Nova Scotia, comprising about 405,000 acres. These are indications of an increasing interest in this line of investment.

There are great possibilities for the investment of British capital in the pulp and paper industry, Northern Ontario, Quebec and British Columbia particularly possessing the raw materials and water powers. British investors in Canadian pulp and paper producing industries can find much to interest them in the report of the United States Tariff Commission recently submitted to the Senate by President Taft. In regard to the question as to how far American mills are on an equal basis for competition with the Canadian mills in the matter of equipment, the report presents the answer that the total average of equipment and efficiency is slightly better for Canada than for the United States It is declared that in 44 per cent. of the American mills investigated, a condition exists as to machinery and equipment, which would force them, if obliged to meet really extensive competition from Canada, greatly to curtail other expenses, greatly increase their investment for equipment, or shift to making other kinds of paper. The Commissioners find that a ton of news print paper is made in

Canada for $5.35 less than it is made in the United States. The average Canadian cost is given at $27.53, and the average cost in the United States at $32.88. The duty upon a ton of news print paper under the present tariff is $3.75. Taking all the items into consideration, as the report enumerates them, the comparative costs follow:—

The total average cost of a ton of ground wood pulp in bulk at a mill in the United States is $14.59; in Canada it is $9.56. The total cost of a ton of sulphite fibre in the United States is $31.39; in Canada it is $26.47. The total materials entering into the manufacture of a ton of news print paper in Canada are shown as $16.89, and in the United States as $22.74. The labour cost of a ton of paper in the United States is shown to be $3.27, and in Canada $3.19. All other allowances for manufacturing costs in the United States are $6.87, and in Canada, $6.45. Labor costs in all the items concerned run very closely alike.

One feature of the report shows that the cost of manufacturing news print paper in the United States varies widely. The lowest cost recorded is $24.50 a ton; the highest is $43. From this the tariff board strikes an average of $32.88. At the Canadian mills the lowest price recorded for producing a ton of news print paper is $24.97, and the highest is $30.18. Average, $27.53.

CHAPTER XII.

INVESTMENTS IN CANADIAN MINES.

The investment of British capital in Canadian mining enterprises has been small. On the whole, the English investor has learned many bitter lessons, causing him to regard the Dominion's mining proposals with some suspicion. At the same time, the Canadian investor has had similar experiences, while the American to a great extent has remained unscathed. In the meantime, Canada's legitimate mining industry has suffered. The following table shows the production of minerals in Canada in 1910:—

	1910. Value.
Copper	$ 7,209,463
Gold	10,224,910
Pig iron	11,245,630
Lead	1,237,032
Nickel	11,181,310
Silver	17,106,604
Other metallic products	559,186
Total	$58,764,135
Less pig iron credited to imported ores	9,594,309
Total metallic	$49,169,826

Asbestos and asbestic	$ 2,476,558
Coal	29,811,750
Gypsum	939,838
Natural gas	1,312,614
Petroleum	388,550
Salt	409,624
Cement	6,414,315
Clay products	7,600,000
Lime	1,131,407
Stone	3,499,772
Miscellaneous non-metallic	1,886,704
Total non-metallic	$55,871,132
Grand total	$105,040,958

In 1886 Canada's mineral production was valued at $10,221,255.

The following are the details of Canadian loans in London for mining purposes:—

1905.	
Western Canada Cement and Coal Co.	£225,000
Northern Sulphite Mills of Canada	100,000
	£325,000
1906.	
Western Dominion Collieries, Limited	£300,000
1907.	
Vancouver Copper Co.	£ 80,000
England's Premier Cobalt Mining Co.	220,000
Bluebell Gold Mines	20,000
	£320,000
1909.	
Dominion Oil Co.	£120,000
East Tilbury (Canada) Oil Fields	200,000
Ymir Gold Mines	20,000
Canadian Mineral Rubber Co.	170,000
Dominion Mica Co.	15,000
Dominion Iron and Steel Co.	1,200,000
Canada Cement Co.	360,082
Manitoba and Saskatchewan Coal Co.	51,440
	£2,136,522

1910.

Canada Cement Co.	£ 205,500
Amalgamated Asbestos Corporation	624,480
West Canadian Collieries Limited	200,000
Nova Scotia Steel and Coal Co., Limited	309,000
Canadian Oil Producing and Refining Co., Ltd.	75,000
Canadian Collieries (Dunsmuir) Limited	2,054,800
Oklahoma Oil Co.	67,000
Lake Superior Iron and Chemical Co.	616,420
Hawthorne Silver and Iron Mines Co.	100,000
Standard Oil Co. of Canada	160,000
British Columbia Goldfields of Canada, Limited.	40,000
	£4,452,200

1911 (to April).

Ontario Porcupine Gold Fields Development Co.. £600,000

Only one of the mining companies which have borrowed money in London has visited that market a second time. In 1910 £4,452,200 were raised by Canadian mining companies overseas, compared with £2,136,522 in 1909. The loans for previous years never exceeded £400,000. The following table shows for what minerals the money was raised:—

Mineral.	Amount.
Gold	£ 680,000
Silver	320,000
Iron and coal	4,731,660
Copper	80,000
Oil	622,000
Cement	790,582
Miscellaneous	909,480
	£8,133,722

In addition to the £8,133,722 representing public flotations in London on behalf of mining companies, a large amount is otherwise placed in Canadian mining propositions. In the Cobalt, Elk Lake, Gow Ganda, Porcupine and Larder Lake districts approximately $1,025,000 have been invested by direct purchase of mining stocks and claims. A few hundred dollars have been placed in gold mining companies in Nova Scotia,

while coal properties in the same province account for perhaps $500,000 in the five years. Prior to the period covered by this investigation of this subject, large sums of British money were placed in the mines of Nova Scotia and British Columbia.

Coal companies in the prairie provinces account for approximately six millions of British capital. It is in British Columbia that Great Britain holds a far greater interest in mining than has been the impression. From special inquiries it is found that in round figures the capital investment is $50,000,000, the most notable mine perhaps being the Le Roi at Rossland.

Leaving past history, such as the Rossland, British Columbia, and Yukon booms to take care of themselves, we may examine the question of capital investment in the two most important camps of recent date, Cobalt and Porcupine. Cobalt has been a veritable Oliver Twist, so far as capital is concerned. Always the cry has been for more. Millions of dollars have consequently been emptied from pockets. Thousands of innocents, though, forgot the ventriloquial powers of the fakir. Plenty of coin has been sunk into alleged mining properties—properties consisting of little but a potato patch, a few shrewd and conscienceless men, some ready pens, and several hundredweights of optimistic literature. The capital story of Cobalt is interesting. Three personal factors were prominent—the man from Canada, the man from Britain, the man from the United States. When stories of the mining camp first commenced to tickle the imagination, comparatively few men of the Dominion got into the field right away. New York and Boston poured a human stream into Ontario. The cash was there, too.

The fame of Ontario's mineral wealth had not then hit London's investment susceptibility. The consequence was that citizens of the United States, possessing well-

defined bumps of foresight, wiped off the Cobalt bloom from the Cobalt plums. Incidentally, they gathered in a pretty respectable basketful. The belated got smaller fry; others managed to get only the stalks. It has so happened that, although the first to come were the first to be served, something remained for the later. Something there is yet for future investors.

Europe's interest in Cobalt, passing and monetary, until the summer of 1908, was inspired by the things that should not have been. For several years London knew only of Cobalt promoters, whose apparent and intense desire to let in British capital on a lifetime's chance, bordered on the ridiculous. It is not easy to cheat John Bull. Neither is it wisdom. Sidetracked illegitimately of one dollar, one need not appeal to him again. His purse-strings remain tightened, no matter how honest the second enterprise may be.

The visit to the camp of a party of European mining engineers in September, 1908, was the best Cobalt eye-opener for Europe. At Cobalt they soon discovered that even he who knows not the difference between hematite and neophyte might label Cobalt a mining region. In the mines of South Africa, the inexperienced must be told what is ore and what is good for the dump heap. The inexperienced visitor to Northern Ontario's mines can learn a mining thing or two by no more than a little amateur scratching. The mining engineers of Europe, although disciplined to bridle their opinions, let them run during their Canadian visit. So it was that the stamp of technical knowledge and desirable approval was impressed upon Cobalt in half a dozen languages. If the principals, the corporations, the friends of these men have a habit of taking good advice, the coming of foreign capital for mining development is but a matter of time.

Generally speaking, wild speculation has been eliminated from Cobalt's existence. Unfair it is to say that the mine managers and those around them exhibit no interest in the price peregrinations of stocks. The manager having no time for an occasional glance at the stock exchange blackboard would probably be asked to look for a new job. But the chief feature of the camp is that real mining is considered of primary importance. While methods at the beginning were crude, science now has been brought to bear upon the art of bringing up ore from the earth's bowels. As time progresses still further scientific treatment will find activity. With this era of mining proper came foreign interest of value in Ontario's minerals. While speculative drum-banging and gong-beating continued, men whose opinions are worth more than a cheap luncheon, held aloof. Cobalt has demonstrated its deservedness of capital. Further, it can shove that demonstration up to the hilt into the hide of incredulity. Capital need not fear to cast in its lot with Cobalt. The eternal provision that capital must not play blind man's buff in a mining camp, holds good also.

Even now a large number of Cobalt companies are finding a reorganization of their finances an imperative necessity. Usually this does not bode well for the small investor.

We have heard of Porcupine for several years, but, as the area was difficult of access, little prospecting was done until two or three years ago. When the Timmins brothers commenced to show results, the onlooker who remembered their exploits in Cobalt commenced to take notice. A Toronto barrister is said to have been the first to discover gold along the shores of Porcupine Lake. He forsook, for the time being anyway, the spheres of legal tomes for the region of mineral Domes, East and West, and Preston East and others.

About five hundred miles separate the new gold camp from Toronto. That means, if things go well, Porcupine will have a population of size. The first question one is likely to ask is whether the attractions are of comparative permanency or of a temporary nature. To this are two substantial replies. The Consolidated Gold Fields of South Africa, the Moreing-Bewick people, the Anglo-French Exploration Company, with J. B. Tyrrell, F. A. Heinze, the Montana copper king, and others, would not have their fingers in among the Porcupine quills unless they anticipated something tangible later. Again, we have the statement of Mr. H. E. T. Haultain, of Toronto, a mining engineer on whose word explicit reliance can be placed, that there are promising prospects scattered over a very large area which will take years to explore. One may be assured, therefore, of some permanence.

In many ways, the beginning of Porcupine resembled the birth of Cobalt. But there are several important differences. The American pretty nearly swallowed Cobalt before the Canadian had decided that the savor was good or that his digestion for a new silver mining camp was strong enough. Porcupine, on the other hand, already has an international flavor. News of what might be expected got overseas in remarkably quick time. Scotch capital was early in the field, and so was London with a corps of prominent mining engineers, who immediately gave the camp importance. Canadians profited by their Cobalt lesson, with the result that they froze on to Porcupine instead of waiting to be frozen out. American capital has also had its look in, and intends to stay. Unlike Cobalt, Porcupine is not likely to be dominated by Uncle Sam's money. There is another vital difference, too. The silver camp lay yawning long before big mining interests prodded it to action. As soon as Porcupine was

discovered, the big men of the mining world allowed it no time for beauty sleep. They were there in a trice with their colleagues to size the situation. That done, Northern Ontario will know them for some years.

A third difference in the two camps is one of sentiment, though it also kept out capital for a while—that was the price asked for prospects. When mining magnates and their scouts began to become as numerous as shacks in the camp, the prospector imagined his pile made. He thought that London and Edinburgh would bite at gold-colored bait. That was a bad oversight, and London and Edinburgh turned their heads the other way, which soon brought prospects salesmen to reasonable figures. Mr. C. A. Moreing says that many men asked more for a Porcupine prospect than he would think of paying for a mine in West Australia. The fact that mining engineers and magnates know the difference between a mine and a prospect should be borne in mind by the prospector. That fact, too, will prove of assistance to the camp's development. As yet only one Porcupine flotation has been made in the London market.

The Canadian mining industry has suffered from lack of capital. Money, to a large extent, has been focused on what may be termed "boom" regions. There are numerous opportunities in the Dominion for profitable investment elsewhere than in famous mining camps. *The Canadian Mining Journal* again drew attention to this fact recently. "Deposits," it said, "of such minerals as iron pyrites, scheelite, chalcopyrite, pyrolusite, graphite, gypsum, barite, magnesite, and so on, are lying undeveloped in many parts of eastern and western Canada. Not a few of these deposits can be easily and quickly proven. Many of them are already known to be commercially workable. The growth of our own markets

alone demands that they be exploited. The possibilities of the foreign markets lends additional inducement.

"Even more attractive are the chances that offer in the older gold fields. Study of provincial and federal reports shows that some of the gold discoveries of from thirty to fifty years ago were as rich as anything of recent times. But not until within the memory of this generation have circumstances been such as to encourage a large measure of enthusiasm. The limiting conditions were the lack of means of communication, and the absence of adequate media of information.

"Times have changed. It is now possible to work to advantage all kinds of mineral deposits throughout the length and breadth of the Dominion. To the disappointed searcher for cheap bonanzas in Porcupine we would suggest that he read up the mining history, not only of Ontario, but also of British Columbia, Quebec, and Nova Scotia; and that he take steps to ascertain for himself the merits of forgotten districts."

CHAPTER XIII.

CANADIAN BANKS, BRITISH AND FOREIGN CAPITAL.

A fairly large amount of foreign capital has been placed in Canada by the purchase of Canadian bank shares. The following table gives details as to the approximate amount:—

Germany	$1,096,150
France	284,750
Italy	32,700
Spain	12,350
Sweden	3,300
Japan	2,100
Belgium	1,650
Servia	1,500
Austria	1,250
China	1,200
Russia	800
Turkey	750
Brazil	600
Holland	400
Cuba	100
Mexico	50
Total	$1,439,650

The investment of the Dresdner Bank of Germany in the defunct Sovereign Bank of Canada, amounted to $1,000,000, and is the second largest individual sum placed by a foreign country in Canadian bank stock. It is possible that a small proportion of the amount tabulated above represents bank stocks purchased by Canadians in Canada who later removed to foreign countries.

Large and numerous purchases have been made in Great Britain of Canadian chartered bank shares. These investments extend over a greater period than five years, in which time the investment was approximately $1,125,000. This sum represents but a small percentage of the total British investment in bank shares. As is known, The Molsons Bank sold $2,000,000 worth of its stock to a London syndicate.

It is highly probable that British capital will play a larger part in Canadian banking. The wheat area of Canada twenty years ago was 623,245 acres. In 1910 it was estimated at 8,377,949 acres, a gain in that period of 1,244 per cent. While the increase in acreage may not prove so remarkable in the next twenty years, it will certainly be large. Before then, one of two things will probably happen—the introduction of European aid in crop financing, as has been the case in the United States, or the increase in the total available bank capital in Canada. The tendency of banking in this country has been to the conservation of banking strength in a comparatively small number of banks. For instance, in 1889, we had 41 chartered banks, which number ten years later had been reduced to 38, and in April, 1911, to 27. On the other hand, the number of bank branches has more than made up for the diminution of the head office total. Two years ago the number of bank branches was 1,608; in April, 1911, it was 2,434, with additional branches in the United States, England, Newfoundland, the West Indies, France and elsewhere.

While the bank figures show astonishing increases during the past forty years, the paid-up capital figures do not show such large gains proportionately as do other items. The paid-up capital of Canada's chartered banks in June, 1869, was $30,289,048. In March, 1911, it was $97,441,842, a gain in 42 years of 221 per cent.

In view of these considerations, the introduction of British capital by the sale of a large block of Canadian bank stock in England is of unusual interest. In connection with this, the British investor must remember the double liability clause of our Bank Act. Colonial bank shares have complications of their own, the principal one being reserve liability, which in some cases is equal to the amount of a share, and in others double. The fact that there is such a great variety of bank shares known to the London investor causes him to study carefully the exact position of any given share. This is one of the chief reasons why bank shares are so little dealt in on the London Stock Exchange, bu comparing those of the various overseas Empires, it is safe to say that the Canadian bank share offers the greatest attractions.

A new development was the purchase by British capital of a block of shares of the Molsons Bank, a public flotation of £100,000 of this block being later made in London. An offer was also made for a block of shares of the Union Bank of Halifax, which institution, however, was absorbed by the Royal Bank of Canada.

The most important development in banking spheres along this line is the chartering of the International Bank, promoted by Mr. Rodolphe Forget, M.P., of Montreal, and backed with $7,000,000 of French capital. It has been suggested that this new bank will not cater solely to the country's commercial needs. Therefore, one may, perhaps, anticipate that through his new institution he will loan money to stock brokers, underwriters and promoters, and to a large extent Mr. Forget is already doing that business, as several times his willingness to loan any part of one million dollars has been reported. Our chartered banks have always regarded Canada's industrial and commercial needs of

primary consideration. For this reason perhaps stock exchange trading has suffered to some extent, the banks loaning money on call to brokers and withdrawing it at the first sign of pressure from commercial spheres. With the exception of times of panic and extreme depression, nearly all complaints regarding money stringency have emanated from brokers and their colleagues. A bank, therefore, inaugurated for the special purpose of catering to that market, and honestly operated, should prove successful.

There are several reasons for supposing that the Forget bank, which will be largely supported by French capital, will not attempt to cater to the financial necessities of captains of industry. The Forget bank is an experiment in Canadian banking. French capital probably understands that fact. Mr. Forget thus has considerable responsibility on his shoulders. If the bank succeeds, the increase in the influx of French capital should be large. If the institution finds that profits from financial banking are not as great as anticipated, it will mean a decided blow to the cause of French investments in the Dominion.

It is Mr. Forget's opinion that periodical money stringencies experienced not only in brokers' spheres, but also in business circles, is caused by Canadian enterprise abroad. The Dominion, he says, is beginning too early in her career to father these enterprises which have, however, met with considerable success in Mexico, South America and in other parts of this hemisphere, although not under the British flag. England and France, each country having a plethora of money to embark in foreign enterprises, can do this well, but Mr. Forget does not think that Canadians should send money out of the country when there are so many places awaiting development all over the Dominion.

In selling exchange in his own business since he had established financial relations with France on a fairly large scale, Mr. Forget said that in many instances he had received replies to the effect that banks were not in the market, so he is of the opinion that another large bank will relieve the situation generally, and the fact of four French directors sitting on the board and keeping in touch with the financial and commercial pulse of the Dominion cannot do otherwise than bring the resources and general development of the country into greater prominence amongst the financiers of England and the Continent, and especially in France. The new bank will have nine directors, five in Montreal and four representing the European interests.

As a side light on this weaving of international banking relations, it is interesting to note that at the end of March, 1911, 29 Canadian chartered banks, besides their 2,420 branches in Canada, had 64 branches elsewhere, as follows:—

Country.	No. of Branches.
England	5
France	1
Mexico	2
United States	14
West Indies	31
Newfoundland	11

There are many German colonies in various parts of the Dominion, and it is not unlikely that one day a German bank, co-operating with a Canadian bank, will cater especially to the financial needs of these colonies. It is thought in this way that a far greater amount of business will result.

Another indication of international banking relations is seen in the following dispatch wired from Winnipeg on April 26th:—

> "Speaking of the financial side of the movement of American settlers into Canada, Canadian moneyed men will do well to cultivate the business of these new-comers. Thousands of these settlers send back to the United States for their financial wants. As reported in the States, the branch banks of Western Canada seem to send their funds to the large financial centres, and farmers find trouble in securing the money necessary to expansion. As a result they turn to the banks and money lenders 'back home,' and thousands of dollars, which under different conditions would remain in Canada, come back to the United States as interest on loans made to Americans in Canada.
>
> "There are many hundreds of thousands of Omaha dollars held in Canada, and only recently a coterie of Omaha moneyed men advanced over $220,000 in cash and over half a million in credits to finance one single enterprise in British Columbia."

While there may be some small basis for this report, undoubtedly it is exaggerated. Considerable money is loaned on mortgages by American financiers and mortgage companies, but it is doubtful whether any banks in the United States, which may be compared with the Canadian chartered institutions, are lending money as indicated in the above dispatch.

During recent years several Canadian financial institutions have obtained capital in England, as the following table shows:—

1906.	
Trust & Loan Co. of Canada	£500,000
1908.	
North of Scotland Canadian Mortgage Co.	£175,000
Trust & Loan Co. of Canada	200,000
	£375,000

1909.

British Columbia Development Association	£61,140

1910.

British Columbia Development Association	£ 39,500
Dominion of Canada Trust Corporation Ltd....	400,000
Canadian & Empire Investment Trust Co., Ltd..	250,000
Union Life Assurance Co. of Canada	205,761
British Columbia Mines, Land & General Finance Co.	200,000
British Canadian Trust Co.	250,000
Dominion of Canada Investment & Debenture Co.	250,000
The Molsons Bank	100,000
	£1,695,261

1911 (to April).

Trust and Loan Co. of Canada	£ 300,000
Scottish and Canadian General Investment Co. Ltd.	250,000
Western Canada Investment Co., Ltd.	200,000
Investment Corporation of Canada, Limited.....	500,000
	£1,250,000

The Trust and Loan Company of Canada, the head office of which is in London, has obtained £1,000,000 during the past five years, having raised three separate loans. The British Columbia Development Association was twice a visitor to the overseas market, borrowing altogether £100,640. Only one life insurance company and one bank sold its securities in London. In the case of the bank, the stock was purchased by a British syndicate and marketed by them in Great Britain. There will likely be a development along these lines during the next few years, as the tendency is to weave British-Canadian financial company relations.

CHAPTER XIV.

REGISTERED STOCK OR BEARER SECURITIES?

The issue in London in June, 1910, of £453,600 4 per cents. of the city of Vancouver was only partially successful. The stock was registered instead of to bearer, and this being somewhat of an experiment with Canadian municipal securities overseas, there was a disposition in some quarters to ascribe the comparatively poor reception of the loan to that fact. *The Financial Times*, for instance, in analyzing the result of the issue, stated that the investing public "has now become educated to the point that it no longer wants a registered stock. The wideawake investing public of the present day wants bearer stock, for the simple and sufficient reason that bearer stock can be passed from hand to hand. In the case of a colonial bond, such as the Vancouver four per cents., the bearer certificate has the great additional advantage that income-tax on the unearned income derived from it need not be paid so long as the interest does not come into this country. Mr. Lloyd George himself stated in the House of Commons that under the Finance (1909-10) Act, 1910, an individual is not required to include in his statement of income, for the purpose of assessment to supertax, income derived from capital invested out of the United Kingdom, which is not at any time received, or brought, or remitted into the country."

Commenting upon this article, another London journal, *Canada*, expressed considerable surprise at the

above statements. "We cannot allow such a statement to pass unchallenged," it said. "The veriest tyro in finance must know that in the British market registered stock has greater attractions than bearer bonds possess, and, judged by the fact that a higher price is always obtainable for a stock that is inscribed, the public does **not** prefer the latter security. Confirmation of this statement can be obtained by enquiring of any leading financial issuing house in London. The real cause of the comparative failure of the Vancouver loan was the fact that the market for Canadian provincial and municipal securities was suffering from congestion owing to the merely moderate success attending the flotation of the city of Winnipeg loan at 103, and the almost complete failure of the Manitoba loan at the same price. The city of Edmonton issue was also only poorly responded to by the public. These contretemps, together with the knowledge that the cities of Torontc and Montreal are only awaiting a favorable opportunity to appear as borrowers, were surely sufficient explanation for the non-success of the Vancouver issue, without attempting to belittle the class of security offered. It is interesting to note that the city of Chicago within the last two months, after inviting tenders for several million dollars of 4½ per cent. bonds, failed to get a single bid at over par. Canadian municipalities are fortunate in having the London market behind them; the anomaly exists all the same that the city of Vancouver should be able to borrow on better terms than Chicago, one of the greatest cities in the world."

So far as the Vancouver loan is concerned, the question of registered stock or to bearer probably had little influence on the reception of the loan. Market conditions appear to have been largely responsible. On the other hand, considerable difference of opinion exists amongst

authorities as to the merits of the two forms of securities. I have obtained the opinion, on this question, of several leading London financial houses interested in the flotation of Canadian issues.

"The question appears to us too comprehensive for the laying down of hard-and-fast principles," writes an important firm, which interestingly summarizes the situation. "Each form of security has several advantages and disadvantages which must be considered concurrently with the particular character of the security to be issued, as well as with the class of investor to whom it is intended to appeal. The recent increase of the Government stamp duty, from ½ per cent. to 1 per cent. on all bearer securities negotiated in this country (Great Britain), constitutes a heavy item of expense in connection with the issue of bearer bonds in London. In the case of municipal offerings, where tenders are invited and competition arises between houses in Canada and in London, it seems probable that the increased stamp duty will tend to outweigh other considerations involved in the selection of the form of security, and have the effect of causing financial houses to make arrangements for the issue of such loans on this side in the form of registered stock.

"When a new issue of registered stock is made, such stock is registerable into the first subscribers' names free of stamp duty. All subsequent transactions in the security are, however, subject to an 'ad valorem' stamp duty of ½ per cent., payable by the purchaser, and in addition, a fee of 2s. 6d. per deed of transfer is usually charged by the registrars.

"As a dealer in buying stock always runs the risk of not being able to sell it immediately, and would, therefore, have to take it up into his own name or into that of his banker, paying thereon the above-mentioned ½

per cent. stamp duty and fees, the result is that in registered stock it is, generally speaking, impossible to have so free a market, or obtain as close a price when dealing, as in bearer securities.

"A point in favor of registered stocks is that they can usually be bought in multiples of £1, and are, therefore, more convenient for the small investor, who can thus purchase amounts that will absorb the exact sum at his disposal. Many of these small investors do not care for the responsibility of holding bearer securities when they can have a certificate in their own names which is only transferable on a separate deed of transfer signed by them. Moreover, they prefer to have their dividends mailed direct to their registered address, instead of having to detach coupons, and have them presented at a bank for payment.

"On the other hand, the higher grade of securities are very largely held by insurance companies and financial and public institutions, who would undoubtedly prefer to hold a bearer security that could be readily used for purposes of collateral, and which would have the more active market that bearer securities usually promote. To cater for the small investor when it is decided to issue bearer bonds, some part of the issue is occasionally made in bonds of as small a denomination as £20, while in France it is almost the invariable custom to have all bonds in denominations of 500 francs.

"The foregoing are, in our opinion, the most important points for and against each form of security that have to be considered; but if we were to attempt to sum up the position in a general way, we should say that where the standing of the issuing authority, municipal or otherwise, is high, and is sufficiently known to investors in this country (Great Britain) to justify expectations of a broad market in its securities, then there is

very little to choose between the two forms of security, the balance of favor perhaps being slightly with registered stocks. In cases where the borrowing corporation is not well known over here, we should be inclined to recommend bearer bonds."

Another house states that the great financial houses, insurance companies, and the continental market demand bonds, but the general English investor will not have bonds at any price. Consequently, when the demand for securities is a special one, caused by a plethora of money in the financial centres, bonds are in demand, but when the demand for securities is a general one, registered stock is required. The same firm thinks that the failure of the city of Vancouver loan was due simply to the fact that it was offered at too high a price, the securities of the greatest cities in the United Kingdom, Australia, New Zealand, South Africa, and the United States, including the city of New York, being obtainable to yield a higher rate of interest.

From a prominent London house, which has interested considerable English capital in Canada, comes the opinion that registered stock is likely to be more popular than bearer securities, if the price is favorable, and it is made free of stamp duty by the issuing authorities. "It is preferred to bearer securities for the reason that there is not the same danger of loss, and the interest is remitted regularly to the registered holder, who is not obliged to cut off coupons and pay them into a bank for collection. The issue of registered stock is perhaps a little more expensive to the municipality if the stamp duty is commuted; otherwise it is cheaper, as there is no stamp duty on the first certificates issued, and the subsequent duty is a matter between the seller and the buyer."

The stamp duty on bonds remains at ½ per cent. instead of being increased to 1 per cent., as was proposed. The commutation stamp duty on municipal securities is at the rate of 1s. per £100 per annum, and if the stock is made duty free it adds to its value.

"The cost of keeping register of stock is also more expensive than the charges that are made by banks for the payment of bond coupons. Bearer securities are much more popular on the Continent than registered stock, and if there is a likelihood of any securities of the kind being marketed on the Continent, this fact should be borne in mind."

The experience of another financial house in the world's metropolis is that investors in England infinitely prefer registered stock to bearer securities, in such flotations as that of the city of Vancouver. "The class of investors who buy these securities are those who are, as a rule, making a permanent investment, in which case, both from a point of security and from the point of dividend payments, registered stock is preferable to bearer securities."

CHAPTER XV.

CANADA'S CREDIT ABROAD.

The heavy borrowing of Canada, during the past six years especially, causes one to examine the position as to the maintenance of Canadian credit. During the summer of 1909 many prominent English houses interested in Canadian enterprises agreed not to undertake any new Canadian flotations for a period of several months. The effect was to stop the flow of British capital to Canada through its principal channel during the time of this inaction. The cause of the financiers' decision was undoubtedly the unusually heavy borrowing by Canada, its tendency to exceed due bounds, and the attempt to market a few worthless securities among the large number of good ones. It was a well-timed hint and rebuke. It is improbable that the lesson will have to be learned here again for many years, although heavy borrowing in the spring months of 1911 almost brought about a similar deadlock.

With a comparatively small population, large areas of undeveloped agricultural land, constant additions to a network of railroads, general business, commercial and industrial expansion, obviously a need exists for a continual inflow of capital. Up to the present, little fault can be found with the methods adopted by Canadian financiers in catering to our monetary requirements. Few complaints have been heard from those who have

purchased our securities. The Dominion has created an excellent market abroad for its substantial stocks and bonds. The records of its borrowing during the past twenty years have been marred by few unpleasant incidents. An enviable standard of credit has been made and maintained. That this should continue now that our borrowing is rapidly expanding is important.

Bankers and economists are undoubtedly watching the situation, which is one that might easily become almost uncontrollable. The country is paying a very large sum annually in the shape of interest on its loans. Suppose for a moment that the welcome stream of British and other capital ceased to flow. Canada would be thrown upon its primary support, the wheat crops. Could we feed ourselves and pay our interest charges in such an event? Possibly we could, but it is a wise policy which will not allow too wide a margin to grow between our borrowing records and our agricultural production.

It is comparatively easy for Canada to maintain its credit abroad in good times. Then, one of the chief necessities is to squelch the undesirable promoter and his promotions. In a period of depression, the matter is more difficult; it becomes a question of running the economic machinery with considerably less monetary oil than usual. At this point, the strength of the banking system and the foresight of bank managers are tested. If, prior to depression, credit was extended too freely, when dull times arrive, unwisely granted credit is likely to bring a crash, and consequently a severe blow to Canadian credit abroad would be sustained.

In 1907, when the United States was suffering from industrial depression and stock market panic, Canada escaped a similar fate. But mistakes had been made in this country, foolish speculation had been allowed to go

beyond bounds, with the result that the Dominion learned an important economic lesson with the minimum of economic suffering. The growth and development of Canada is a pleasing task. No necessity exists for forcing that growth. If we borrow too heavily, absorb new population too rapidly, and assume generally a fast gait, trouble will follow. Fortunately, the men at the helm are steering a good course and appear to have thoroughly studied the chart.

In 1910, the unpleasant incidents in connection with the affairs of the Atlantic, Quebec and Western Railway, the Western Canada Cement Company and the Quebec and Lake St. John Railway (the last named has now been settled satisfactorily to the English bondholders) created some misgivings in England and in Scotland. The advice of Mr. F. W. Taylor, London manager of the Bank of Montreal, that Canadian promoters who have the interests of their country at heart, should exercise restraint, is good. Otherwise they will kill the goose which lays the golden egg. It is only within the last four or five years that the investing public in Great Britain have shown an inclination to purchase securities of Canadian public utility and industrial companies; the former, now extremely well regarded, were previously looked upon askance as being ultra-speculative in character. It is only fair to Canada to add that a good many of the Canadian schemes recently seeking capital overseas, which invited criticism, were hatched in London. Mr. Taylor has said that there is little to fear from the competition of the securities of other British colonies and overseas dependencies, so long as Canadian securities already placed on the market meet their interest obligations without question and avoid criticism.

An important phase of our borrowing has been referred to by Mr. H. V. F. Jones, the London manager

of the Canadian Bank of Commerce. This is the terms upon which Canadian government and municipal securities are offered in the London market. "It is the natural tendency," he says, "on the part of all borrowers to endeavor to secure the very highest rate obtainable for their issues, regardless of the consequences which this attitude may eventually have upon their future borrowings; and, while this is a spirit which will always exist, it is difficult to say that it has been overdone, except in a few instances. In regard to high-grade issues, such as those under discussion, the value of money governs the price which the market is willing to pay, and those who ask too much for their securities usually end in having to witness them depreciate in value and become unpopular with the investing public, but such matters tend to right themselves in the long run, especially so if a government's or municipality's securities are supported by the active operations of a good sinking fund."

Canada, as we have seen, holds a prominent position upon the British market, and during brief periods of reaction its securities of various kinds have suffered less than almost any other. The advice is still given to those anxious to secure capital there to go slowly. It is the duty of those interested in such matters in Canada to see that only first-class propositions are taken overseas, and, as far as industrials are concerned, that they will bear the fullest and strictest investigation.

The railroads of Canada should continue to be a popular, and, indeed, an improving form of investment. The near future must see the lines of the Grand Trunk Pacific and the Canadian Northern Railways progressing yearly towards completion, and the ever-increasing grain areas of the West must of necessity largely increase the

earnings of the Canadian Pacific and other roads under favorable circumstances.

The trade between Canada and the Motherland is expanding, and doubtless will continue to do so. British manufacturers and producers have, perhaps, been slow to use the advantages offered them by Canadian preference, but a better knowledge of the country and its resources is resulting in a deeper interest being taken.

There seems no doubt that Canadian propositions, properly verified and supported, will continue to receive the same sympathetic consideration in the future as in the past, when financial conditions are suitable. The basis of the whole business is the maintenance of the reputation and confidence which Canada has been fortunate enough to inspire among British investors. But discretion must be shown in selection of propositions that are suitable for the market, and, above all, care must be taken to see that the thing is not overdone.

The proportion of capital available from local sources in Canada is slowly increasing from year to year, while the general wealth of the country is making rapid gain. Comparatively little permanent capital needed, however, is as yet supplied by Canadian investors. This factor will not have any important bearing upon Canadian borrowing in Britain for many years. Neither does Canada obtain many funds from the United States aside from industrial investments. The Americans are still large borrowers abroad, and consequently give little patronage to Canadian bonds.

On Mr. E. R. Wood's conservative optimism we can base a hope for the maintenance of good Canadian credit in Great Britain. "Nothing has occurred," he says, "to check the steady advance of settlement, the extension of the area of cultivation, or the proportionate

development in transportation, and in general industry and commerce. Our waiting prairies and other farming areas still attract the industrious as our enterprises attract investors. Both have an assurance of adequate returns in the extent and character of our natural resources, the substantial nature of our general development, and the stability of our governmental institutions."

CHAPTER XVI.

CANADIAN PROVINCIAL SECURITIES AND THE BRITISH TRUSTEE LIST.

The treasurers of Canada's nine provinces are desirous of having the provincial securities included in the British Trustee List. Despite representations to the Imperial Government from many quarters, this desirable innovation has not yet been granted. The Imperial authorities are not yet inclined to extend the privilege to the Canadian provinces. They also refuse to include in the Trustee List securities which, if there be any difference at all, are of a higher class; that is, securities which bear the guarantee of the Federal Government. Their action is taken, it is assumed, not because of any lack of faith in the securities, but because for reasons of their own they do not wish to broaden the Trustee List.

During recent years, investment conditions have changed materially. The investor has become more discriminating in regard to stocks and bonds of value and those which are worthless. Investors who once confined their operations to a narrow range, drawing interest at a low rate, are now working in a far larger field, obtaining greater interest with practically the same security. A small Trustee List might once have had the effect of protecting British Government securities, and particularly Consols. The Trustee List, however, now includes colonial securities offering a much higher rate

of interest than Consols. It seems doubtful that any very desirable end can be attained by unduly limiting the scope of the British Trustee List.

Trustees are not permitted to invest in bonds to bearer of any kind—only in registered or inscribed stocks, including debenture stocks. The following self-governing colonies, and Crown and other colonies have passed the necessary legislation, have given the assurances required under the Treasury regulations, and their securities are consequently available for Trustee investments:—

(a) **Self-Governing Colonies:**—The Dominion of Canada; Cape of Good Hope; Natal; Newfoundland, New South Wales; New Zealand; Queensland; South Australia; Tasmania; Victoria; and Western Australia.

(b) **Crown and other Colonies:**—Barbadoes; British Guiana; Ceylon; Gold Coast; Grenada; Hong Kong; Jamaica; Lagos; Mauritius; St. Lucia; Sierra Leone; and Trinidad.

Under the provisions of Section 2 of the Colonial Stock Act of 1900 any colonial stock which forms part of the public debt of any colony may become available as an investment for Trustees in the United Kingdom on the following terms:—

(a) It must comply with the regulations as to form laid down by the Colonial Stock Acts, 1877 to 1900, and must be registered in accordance with the provisions of those Acts.

(b) Subject to certain restrictions as to price mentioned in Section 2, sub-section 2, of the Trustee Act, 1893.

(c) It must comply with the conditions laid down by the Treasury by order promulgated in the London Gazette. This order is as follows:—

"The Lords Commissioners of Her Majesty's Treasury, in virtue of the power bestowed upon them by section 2 of the Colonial Stock Act, 1900 (63 and 64 Vict. c. 62), are pleased to prescribe the following conditions under that section.

Conditions.

"1. The Colony shall provide by legislation for the payment out of the revenues of the Colony of any sums which may become payable to stockholders under any judgment, decree, rule, or order of a Court in the United Kingdom.

"2. The Colony shall satisfy the Treasury that adequate funds (as and when required) will be made available in the United Kingdom to meet any such judgment, decree, rule or order.

"3. The Colonial Government shall place on record a formal expression of their opinion, that any Colonial legislation which appears to the Imperial Government to alter any of the provisions affecting the stock to the injury of the stockholder, or to involve a departure from the original contract in regard to the stock, would properly be disallowed."

Canadian Government securities may, for our purposes, be divided into four classes:—

1. Securities issued by the Government of Canada which form part of the public debt of the Dominion of Canada.

2. Securities issued by any of the Provinces of Canada which form part of the public debt of the issuing Province.

3. Securities, payment of which, both as to principal and interest, is guaranteed by the Dominion of Canada, but which are not included in its public debt.

4. Securities, payment of which, both as to principal and interest, is guaranteed by any one of the Provinces of Canada, but are not included in the public debt of the guaranteeing Province.

No difficulty is found in complying with the necessary requirements in the case of securities issued by the Dominion of Canada (Class 1). The Dominion Government has complied with the conditions under heading (c), and its securities, subject to the provisions of (a) and (b) are available for trustee investments.

In the case of Class 2 no difficulty arises except in complying with Clause 3 of the Treasury Order. In fact,

several of the provinces have already complied with all the requirements except those of this clause. As the legislation of the Provinces of Canada is, by the provisions of the British North America Act, not subject to ratification by the Imperial Government, and, as the Treasury Order must be held to have been promulgated with a knowledge of the provisions of that Act, the Provinces of Canada are held to be precluded from the possibilitiy of complying effectually with this clause of the Order.

Classes 3 and 4, namely, securities guaranteed by the Dominion or by any of the Provinces of Canada are excluded from coming under the provisions of the Colonial Stock Acts, because they do not form part of the public debt of any colony.

Were this obstacle removed, Class 4 would still meet with the same difficulty as Class 2; that is, it could not comply with Clause 3 of the Treasury Order for the reasons given above.

The question of admitting railroad bonds guaranteed by the Dominion Government has been before the Imperial authorities on several occasions, and so far without success.

There are, therefore, several obstacles to the inclusion of Canadian provincial securities in the British Trustee List. On the other hand, it should be possible, sooner or later, to induce the Imperial Government to give our progressive provinces that privilege. It is hardly fair that the securities, for instance, of the states of Australia, of New Zealand, the West Indies and the Crown colonies should have a privilege extended to them which is denied to the provinces of Canada. While it would to some extent affect the securities of the Dominion Government, help from that quarter to secure the desired

change would be welcome by the Canadian provinces. After all, the good standing of provincial securities assists to a large extent the maintenance of the high credit of the entire Dominion. The inclusion of the provincial securities in the Trustee List would be of great value to Canada as a whole. It would be pleasing to see the Imperial authorities give a willing ear to the proposal.

CHAPTER XVII.

NEW CAPITAL FROM IMMIGRATION.

The stream of immigration to Canada from Europe and America has not only helped to solve the labor question, but a large amount of new capital has also been brought in in this way. Before discussing the amount, it will be interesting to note the countries which are best supplying our population needs. The following table shows the total immigration to Canada by nationalities from July 1st, 1900, to March 31st, 1911—

Nationality.	Totals.
English and Welsh	505,157
Scotch	138,909
Irish	41,001
Total British	685,067
South African	437
Australian	1,649
Austro-Hungarian	121,001
Belgian	8,583
Bulgarian	4,484
Brazilian	28
Chinese	11,324
Dutch	4,895
French	16,236
German	21,145
West Indian	1,534
Greek	3,997
Hebrew	48,675
Italian	63,817
Japanese	13,128
Newfoundland	13,496
New Zealand	534
Portuguese	28

Polish	9,391
Persian	124
Roumanian	4,888
Russian, N.E.S.	38,950
Finnish	13,498
Doukhobors	281
Mennonites	101
Spanish	410
Swiss	1,487
Servian	270
Danish	3,493
Icelandic	3,589
Swedish	19,349
Norwegian	13,798
Turkish	2,456
Armenian	1,473
Egyptian	53
Syrian	5,229
Arabian	441
Maltese	2
Malay	5
Negro	383
Hindoo	5,200
United States citizens (via ocean ports)	846
Total continental, etc.	460,708
From U.S.A. (direct)	618,700
Total immigration	1,764,475

N.E.S. = Not elsewhere specified

By far the largest immigration movement in the past decade has, therefore, arisen in Great Britain, and next in the United States. Among the countries of Europe, Italy contributed more than 63,817. The Italians are largely employed on railroad construction work, as also the Galicians. Our Hebrew population was increased by more than 48,675, while almost 38,950 Russians and 13,128 Japanese also listed themselves as newcomers.

What new capital did these 1,764,475 individuals bring into Canada during the past ten years? An ap-

proximately accurate estimate can be made. Mr. Bruce Walker, the Commissioner of Immigration at Winnipeg, has stated that settlers from the United States would probably bring into Canada during 1909 new capital to the extent of $70,000,000. In one instance, a prospective Canadian settler brought with him $25,000, an exceptionally heavy amount. In most cases the sum is considerably smaller. United States cattle has also been changing our prairie census figures. A fair estimate of the value of these particular possessions is perhaps $350 per head and a cash allowance to each new citizen from the United States of $500.

From 1897 to 1909, 43 per cent. of the arrivals from the United States made homestead entry in the Western provinces. They brought with them during the fiscal year 1907-8 alone, more than $52,000,000 in cash and settlers' effects.

Here are a few names taken from the monthly reports of one of the Dominion Government's agents, Mr. E. T. Holmes, St. Paul, Minnesota, showing the State from which each immigrant came, and the amount of cash and effects in his possession:—

1909	(October),	L. B. L., Illinois	$10,000
"	"	J. H., Iowa	20,000
"	"	C. H. S., Iowa	40,000
"	"	H. G. H., Illinois	10,000
"	"	J. P. H., Illinois	45,000
"	"	J. M., Iowa	50,000
"	"	J. J. B., Kansas	20,000
"	"	J. D., Nebraska	25,000
"	"	J. F. B., Illinois	30,000
"	"	H. S., Illinois	10,000
"	"	J. V., Illinois	50,000
"	"	G. B., Illinois	12,000
"	"	M. M., Illinois	50,000
"	"	F. B., Illinois	50,000

The above shows an average of about $30,000 for each head of a family.

Mr. B. Davis, State agent for Montana, reported for the month of September, 1909, 93 settlers collectively, $212,697, an average for each man, woman, and child of about $2,287, and for March, 1910, 194 souls with $344,460 in money and goods, an average of $1,775 each.

The cash and value of settlers' effects' entering Canada from the United States appears to be growing larger year by year. The following are the comparative immigration figures for the months of March, 1910 and 1911, at North Portal, Saskatchewan. While there was a slight decrease in the number of persons, the money and effects in 1911 had a greater value than in the previous year. North Portal is taken just as one example:—

	March, '10.	March, '11.	Inc. or dec.
Total immigration ..	5,672	4,409	— 1,218
Cash value	$5,810,000	$6,288,000	+ $478,000
Value of effects......	1,059,000	1,585,000	+ 526,000
Settlers' cars	450	599	+ 149

As to British immigration, neither the cash assets nor the effects are as large perhaps as those of United States immigrants. The farmers, with life-long savings, leaving the States for new Canadian lands, contribute largely to Canada's revenue. Our money from Britain comes chiefly through other channels, in hundreds of millions. A fair estimate, perhaps, is that every British immigrant brings into Canada with him $100 and settlers' effects to the value of $50 per head. From Europe the amount is smaller, but it would be at least $10 per head, with few settlers' effects of value. The effects might be estimated at the small sum of $5 per capita. Therefore, the estimate of cash and settlers' effects entering Canada during the past five years may be summarized as follows:—

685,067 British—cash, $100 per head............	$68,506,700
685,067 British—settlers' effects, $50 per head....	34,253,350
619,546 United States—cash, $500 per head.....	216,841,100
619,546 United States—settlers' effects, $350 per head	309,773,000
459,862 Continental—cash, $10 per head.........	4,598,620
459,862 Continental—settlers' effects, $5 per head	2,299,310
	$636,272,080

The flow of immigration from the United States to Canada is not always regarded favorably in the former country. The American land loses good farmers; the American manufacturer, purchasers; the American bank, customers. At the same time, Canada gains what the United States loses. This phase has beeen ably treated by Mr. H. M. P. Eckardt, the well-known Canadian financial author. He thus explains the cash transfers through immigration and their effect upon the finances of the Republic and of the Dominion:—

"In the first place it is to be noticed that when the United States farmer sells out and goes to Saskatchewan or Alberta his place is taken by another farmer, who may have nearly as much of this world's goods as he had himself. Although the lure of the cheap lands is drawing American farmers northward by tens of thousands, the immigrants are arriving from Europe at the Atlantic ports at a rate of about 30,000 per week in the height of the immigration season. These, however, come mostly from Southern European ports, and they show a strong disposition to congregate in the cities and in the great industrial centres. Man for man, they are not equal in value to the farmers who are leaving.

"So far as the cash movement is concerned, it does not appear that it is of a nature to embarrass New York or the other United States financial centres ma-

terially. Indeed, it is just possible that the whole movement of immigrants into Canada has not served to decrease the aggregate of capital of which New York has the use. As soon as the settler from the Western States gets located on his new farm he deposits his United States currency and his draft on New York in the branch bank in his neighborhood which is most conveniently located. The draft goes to New York and operates to swell the balances and loans owned by the Canadian banks there.

"The fund or deposit represented by the draft is in fact transferred on the books of the New York banking institutions from the account of the Western United States bank which issues it to that of the Canadian bank which cashes it. Later the moneys, or a part thereof, may be put out at call on Wall Street. The United States currency is sent by express to St. Paul, Minneapolis, or another American centre, for credit of the Canadian bank. This also finds its way to New York and is carried there as a deposit or as a call loan. No doubt the constant repetition of transactions of this kind in the past couple of years helped to bring about the heavy increase in balances and loans carried in New York by the Canadian banking institutions.

"Then there are the cash receipts from the British immigrants to take account of. These will usually consist of letters of credit or drafts issued by a bank in the United Kingdom, gold sovereigns and half sovereigns, and Bank of England notes. The letters of credit and drafts operate, of course, to give the Canadian banks credits in London. Also the Bank of England notes are usually sent to London for credit of account or sold in New York. The credits thus acquired in London are commonly utilized through selling sterling bills in New York, and the proceeds of the bills may lie on deposit

with New York banks or they may be lent at call to New York Stock Exchange houses.

"The British gold coins are sometimes paid into the Dominion Treasury in exchange for large legal tender notes, and sometimes added to the gold reserve carried by the banks in their own vaults. A certain amount goes back to Europe each year in the pockets of Canadian tourists or of Englishmen who have been visiting the Dominion. Thus it can be seen that New York often gains funds from Canada as a result of the British immigration movement, and it also retains the custody of a considerable part of the funds moving to Canada with the Western farmers. Of course, the ownership of the funds is transferred to Montreal and Toronto, and the prospect is that they will be gradually drawn upon in one shape and another as the occasion for their use in the Dominion presents itself. But it is also probable that a continuation of the immigration movement will result in a constant replenishing of the balances and loans carried in New York."

From the continent of Europe we have drawn the largest proportion of our population in recent years. A French statistician recently summarized the changes in population in Europe during the past half century. The following figures show the changes among the leading powers since 1883:—

	1883.	1908.	Inc. %
England	35,753,000	45,057,000	26
France	37,900,000	39,278,000	4
Germany	46,201,000	63,379,000	37
Russia	86,121,000	129,798,000	51
Austria-Hungary	38,834,000	50,583,000	30
Italy	29,011,000	33,910,000	17
Spain	16,429,000	19,713,000	20

The most striking facts in comparison with 25 or 50 years ago are the growth of Germany and Russia and the relative decline in France. In 1858, France and Germany were almost equally balanced. England then lagged behind both and has since failed to keep pace with Germany, but her population now surpasses France by about 5,750,000. Germany falls short by only about a quarter of the populations of France and England combined. Austria-Hungary, which was only 3,500,000 behind Germany in 1858 has now fallen behind nearly 13,000,000, but France, which formerly was slightly ahead of Austria, is now weaker by more than 11,000,000. It will be observed from the Canadian immigration list at the beginning of this article that a comparatively small number of French and Germans are coming to Canada.

One of the dominating facts in the balance of population in Europe is the growth of Russia, which country sent us in the five years period under review 19,471 immigrants. Her population has substantially doubled in Europe within fifty years, surpassing even Germany. She now possesses a population substantially twice that of Germany, nearly three times that of England, more than two and one-half times that of Austria-Hungary, and more than three times that of France. When it is considered that to this may be added tens of millions in Asia, the offspring of nomadic and military tribes, her potentialities as a military power loom large.

Canada is finding little difficulty, by means of immigration, in increasing its population at a rapid rate. The economic difference between new and old countries is sharply marked when making a comparison with France, where in 1909 a series of measures designed to stimulate the birth rate was introduced in Parliament. They include the imposition of additional military service upon

bachelors over twenty-nine years of age; making obligatory the marriage by State employees who have reached the age of twenty-five years, with supplementary salaries and pension allowance for those with more than three children, and the repeal of the law requiring the equal distribution of estates among the children.

CHAPTER XVIII.

THE RELATION OF TRADE TO BORROWED MONEY.

The enormous sum of money invested by Great Britain in Canada was not placed there solely for the immediate interest return, but also with the hope that the railroads of Canada would foster internal trade east and west, and draw more closely the ports of the Mother Country to the growing ports of Canada. The Dominion must and does recognize London as the centre of the world's monetary system. The question arises, however, whether or not Canada has given serious thought to the moral obligation of borrowing in its relation to trade.

Addressing the London Chamber of Commerce, Mr. Edgar Crammond recalled that ever since the resumption of specie payments in 1819, London had been the only free market for gold, and every buyer of a draft on London knew that if he wished it he could always obtain payment in gold. The influences which had contributed to the establishment of London as the centre of the international financial system included, inter alia, the income from British investments abroad (which he estimated to amount to not less than £175,000,000 per annum), the magnitude of the shipping industry (which brought in at least £100,000,000 per annum), the magnitude of the foreign trade (which amounted to over £1,212,000,000), the earnings of British banking and mercantile houses engaged in the conduct of international trade and finance (which amounted to at least £50,000,000 per annum), the economy and soundness of British banking

methods, the stability of political institutions and the British reputation for fair dealing. But above all British credit had been established by, and was dependent upon, the unchallengeable supremacy of the British navy, and upon confidence that military strength could maintain order within the Empire and resist attacks from without.

We have the assurance of authorities that Canada will continue to benefit by British capital so long as it does not offend the sensitive chords of capital. When Sir Edgar Speyer was in Toronto he noted that Canada's great wealth, the practically unlimited supply of capital from the home country at preferential rates, the free markets and good prices for produce, the increasing supply of skilled farmers and the free supply of labor, rendered Canada's future assured. Nobody would rejoice more in this, he stated, than the Mother Country, which had given, and will give, to Canada all the financial and moral support which she can expect and which she fully deserves as long as her affairs are conducted in the spirit of to-day by wise and far-seeing statesmen and business men, who know how to appreciate the value of the trust and confidence Great Britain is showing in the Dominion.

What is the present relation of British capital and Canadian trade? Great Britain and the United States are the Dominion's best markets. Figures extracted from the Ottawa blue books give the following results:—

Canada sold to Great Britain.

1906	$133,094,937
*1907	105,135,801
1908	134,484,156
1909	133,745,375
1910	149,634,107
Total	$656,094,376

*Nine months.

Canada sold to United States.

1906	$ 97,806,552
*1907	79,021,480
1908	113,520,500
1909	92,604,357
1910	113,150,778
Total	$496,103,667

Canada purchased from Great Britain.

1906	$ 69,317,150
*1907	64,819,972
1908	95,855,887
1909	70,556,738
1910	95,679,877
Total	$396,229,624

Canada purchased from the United States.

1906	$180,726,111
*1907	158,603,250
1908	220,791,209
1909	192,661,360
1910	239,070,549
Total	$991,852,479

*Nine months.

In the five-year period, therefore, while we sold to Great Britain $160,000,000 worth of goods more than we sold to the United States, we purchased from Great Britain $596,000,000 less than we purchased from the United States. In other words, Great Britain is giving us the better deal in its markets, and in return the

United States is getting our best markets. This despite the fact that our borrowings in Great Britain have exceeded $1,500,000,000. The situation may be more closely analyzed by taking the figures for the year 1910, when we sold Great Britain $149,000,000 worth of goods. In exchange, we purchased only $95,000,000 worth, leaving a difference in favor of Canada of $54,000,000. During the same year we borrowed $177,000,000 from Great Britain. Taking our British trade and capital together, we were indebted to Great Britain, after equalizing the trade balance, to the amount of $231,000,000. In the meantime we purchased from the United States $239,000,000 worth of goods and sold them only $113,000,000.

We may again, with advantage, quote the recent report of the British Trade Commissioner in Canada, who, writing of the relation of trade to capital investment, says: "If we turn from the statistics of trade to consider the various factors which may aid in their interpretation, not the least important consideration is that of the investment of capital. It cannot be doubted that invested capital and import trade tend to run in the same channels. Investment, whether it takes the form of purchase of securities or that of the foundation of branch manufactories, agencies, etc., establishes something more than a merely monetary connection. It necessitates, and indeed creates, a personal knowledge of the local circumstances of the country concerned. The lines of purchase and sale, other things being equal, tend to follow those of personal knowledge and acquaintance. Manufacturers who have come from outside the Dominion to establish industrial plants within its limits very naturally prefer to deal with those with whom they have been connected in their own country. The lines of communication thus established ramify in all directions, and opportunities

for further investment and opportunities for trade that would otherwise remain unsuspected are thus brought to light.

"It is only reasonable, therefore, to infer that in the present struggle between the British and American competitors for the Canadian market the relative investment of capital from either country must count for much. It is true that from both these sources vast amounts of capital have poured, and are pouring, into the Dominion. But an impartial survey of the field would seem to indicate that American capital has been more particularly directed into enterprises such as are connected with the import trade of the country. The purchase of Government securities and municipal bonds, and even of the bonds and shares of the great Canadian railroads—the forms which British investment has hitherto principally taken—operates less directly and immediately to stimulate trade than the investment of capital in varying amounts over a wide range of industrial concerns, together with the establishment of branch factories and agencies of all sorts, which has been characteristic of the form of American interest in the development of Canada."

Canada does not appear to be fully recognizing its financial obligations to Great Britain by unduly encouraging British trade. It is becoming more obvious that the questions of trade and loans should be considered somewhat in conjunction. This matter was raised by the loan which the Japanese government sought in February, 1911, from British bankers. Sir Edward Holden, a leading banker, would have made the raising of this loan conditional upon the promise of more considerate treatment of free trade England's exports under the new Japanese tariff. Four millions sterling of the total loan of six millions were required for the following works in

connection with the South Manchurian Railway, improvement of harbor works, increase of locomotive and rolling stock, extension of electric works, extension of gas works, etc.; that is to say, mainly for the purchase of engineering plant. The British bankers did not depart from their usual procedure in this instance, and the six millions of British money was lent without so much as a bare word that British industry should be remembered when the plant required for those works was bought.

Early this year, a Canadian industrial company went to London and borrowed several millions of dollars. On being requested to allow British firms to tender for the new plant required by the company, the reply was that "our directors are prejudiced in favor of American firms."

This matter was recently discussed by the editor of *Commercial Intelligence*, who thought a slowly approaching combination of financiers with manufacturers was a most promising development for the future of British trade abroad. He said:—

"The scope for their joint enterprise is wide, as we have frequently pointed out, although, at the present stage, it seems to be limited in the minds of the manufacturers to their immediate necessity. It is a somewhat humiliating reflection that this necessity has been imposed upon the manufacturers by the foresight of their rivals, who already practise extensively the investment of capital in foreign undertakings upon condition of their obtaining the orders for plant required by the borrowers. It is to meet this kind of competition that certain manufacturers in the electrical industry are endeavoring to form a regular alliance with financiers. Callender's Company have secured an important contract from the Tata Hydro-Electric Company, of Bombay, and in part payment they have accepted shares in the undertaking, which is an

important one, with most favorable prospects of success, according to all accounts. But clearly no ordinary manufacturing company is able unaided to make a regular practice of doing business on these terms, and, as financial participation in important undertakings abroad is often a *sine qua non* of obtaining their orders for plant, regular means must be provided in our commercial organization to enable manufacturers to meet these conditions, as their competitors are doing. If the electrical manufacturers' proposed bank is successfully started, we have no doubt it will prove to be the forerunner of similar institutions in connection with other engineering industries which have as great need of them. Much sound business has certainly been lost to British industries in the course of the last ten years for want of them.

"Valuable, however, as these banks will be as feeders of British industries, they will by no means exhaust the possibilities of mutually profitable co-operation between financiers and manufacturers, if they are designed only to meet such cases as Messrs. Callender's contract with the Tata Company. These cases are important, of course, but comparatively rare. For one company that seeks to raise capital through manufacturers competing for its orders, hundreds go to the financial houses, or with their prospectuses direct to the British investing public, and, having obtained the money they require, British manufacturers may not even have an opportunity of tendering for their contracts. Granting that a good investment is its own reward, it is an open question—if only because the matter has never been put to the test—whether the country is making the best possible terms with the borrowers in all such cases, which represent many millions annually. If a lien on the contracts of these industrial undertakings could be secured for our manufacturers, it would multiply many times the value of our

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investments abroad to British industries, and in these days of the keenest international rivalry our manufacturers have need of every advantage that British money power can bring them.

"Before such a principle could be fairly tried, every financial house would have to be in touch with groups of the leading manufacturers in the various industries, and goodness knows we are far enough from that. But we believe that manufacturers by the offer of a suitable commission to the financiers for any business they might introduce from their financial clients could enlist the financiers' support, and if any inducement to the borrowers to accept the lien proposed were necessary the financiers would be able out of the commission from the manufacturers to undertake to raise the money on more favorable terms than they would otherwise offer. There need be no doubt that the scheme proposed is practicable, when German bankers have repeatedly adopted it with success, even with an important British client like the Victoria Falls Power Syndicate, which, as a condition of obtaining German capital for its works had to buy German machinery. For the success of the scheme it is important that the borrowers should be able to obtain plant in England as good as could be obtained anywhere, and of that there is happily as yet no doubt. The German contractors for the Victoria Falls plant had, after all, to obtain part of it in England."

For Canada there may have been a moral in the new and recent Japanese treaty. Japan as a borrower was quite awake to the danger of the English money market being rendered less cordial by resentment arising out of the tariff. Although capital is essentially self-regarding, it is curiously susceptible to gusts of popular sentiment, as may be seen from a study of the monetary relations of France with Russia, and England with Canada and

Japan. In both of these latter cases the position of the creditor nation is the chief restraining factor which Britain retains upon her side in facing the prospect of tariff injuries. It is emphatically to Canada's interest to avoid any injury to public feeling in the country to which she may have to come repeatedly for fresh drafts of capital.

Canadians may, therefore, with advantage, give more attention to the relations of their British borrowing to trade. On the other hand, British financiers can probably do more work than they are doing to pave the way for their industrial colleagues.

An interesting phase of Great Britain's exportation of capital and its relation to trade was treated in an address this year by Sir Edgar Speyer in London. In the period from 1894 to 1905, he said, Great Britain spent a great deal of money in unproductive purposes, and did not provide capital needed to increase the world's supply of food and raw materials; the consequence was that the supplies of these essentials became relatively deficient in proportion to the increasing demand. This was the reason why an unusually large investment of capital was needed to restore the balance. Experience had proved that the exports of British manufactured goods expanded whenever foreign investments were made, and contracted when foreign investments ceased. Since 1905 Great Britain had again begun to invest in foreign securities, and the consequence was that its foreign trade had grown by leaps and bounds, that the export of manufactured goods and the imports of foodstuffs and raw materials needed for Great Britain's industries had vastly increased, while the import of foreign manufactures had been checked.

He claimed that foreign investments assisted home investments in those industries on which the wealth of

the country primarily depended, and that it was untrue that Great Britain was stinting her own industries by sending capital away. There was plenty of capital available for all sound home enterprise, the proof of which was that the credit of British industrial companies—a very good barometer—had always been, and still was, higher than that of any other country in the world.

It was obvious to all observers that the investment of a portion of Great Britain's annual savings in the colonies and elsewhere was one of the chief causes of the growing prosperity of the Empire. Dealing next with the question, "What good do foreign investments do?" he said that the industries of Great Britain could not expand if the people's supply of food and raw materials did not grow with the increasing requirements. It should be remembered that Great Britain produced a supply of food only sufficient for a small fraction of her great population. The British people had realized that their existence depended on supplementing th[illegible] small quantity of raw materials and other things by encouraging other nations to produce what they stood in need of, and an instinct of self-preservation had told them that they must get all the things they needed from the lands which could furnish them. They had, therefore, not only to stimulate their own productions, but had of necessity to encourage others to produce those things they were naturally capable of producing in quantities sufficient not only for their own requirements, but for Great Britain as well.

In 1911 Great Britain would receive, estimated Sir Edgar, about £180,000,000 for interest on her foreign investments, and this income would come to her almost entirely in foodstuffs and raw materials. The more capital Great Britain invested abroad the more capital was available for investment in its own industries. By

sending capital to another country the purchasing power of the country was increased, and it was exercised in buying goods from the countries which could supply its needs. The greater demand for goods resulting from this enhanced purchasing power of the new country increased the demand for goods of all kinds, and brought about an increased demand for British goods, thereby increasing the income of the wage-earners and the profits of the traders.

By lending capital to other countries Great Britain manufactured the additional goods needed to pay for the securities subscribed for by British investors and to extend her own works and plant. The export of British capital developed the natural wealth of the world, and was the direct cause of the great expansion of the productive industries of Great Britain. Of the £3,500,000,000 invested outside England, half went to the colonies and half to foreign countries. Great Britain had always been willing to supply all the capital that the colonies needed and could profitably employ; in fact, she had at times supplied too much, and had caused inflation in some parts of the Dominions and thereby caused financial disturbance.

APPENDIX I.

CANADA'S SHARE OF BRITISH CAPITAL.

One is often asked what proportion of British capital invested abroad has come to Canada. Great Britain has loaned £3,192,000,000 to its overseas dependencies and to foreign countries. Of that sum Canada and Newfoundland obtained £372,541,000. These figures have been compiled by Mr. George Paish, one of the editors of the *London Statist.* They were contained in a paper read to the Royal Statistical Society in London and throw interesting light on British investments and their relation to Canada's borrowings.

"In ascertaining the large amounts of capital that Great Britain has supplied to individual colonial and foreign countries," he said, "one is compelled to recognize the powerful influence which Great Britain has exerted in developing the world's natural resources by supplying other countries freely with funds for railway construction, for mining, and for the production of every kind of natural wealth. It is no exaggeration to state that Great Britain's enterprise in placing her supplies of new capital wherever they could be profitably employed has been one of the great forces which has made for the increased prosperity of the human race in modern times. In the seventeenth and eighteenth centuries Great Britain supplied money for the development of the sugar, tobacco, and other plantations of the Indies and of America; but it was not until the invention of railways

that the investments of British capital abroad assumed large proportions. A statement of the existing amounts of capital employed abroad by Great Britain gives practically no indication of the valuable assistance rendered by Great Britain to the Continent in the construction of railways in France, Belgium, Austria, Italy, Spain, and in other countries inasmuch as Continental countries have now repaid the greater portion of the sums with which Great Britain supplied them for railway construction. Nevertheless, even Continental countries owe the increase in their prosperity in no small degree to the enterprise of Great Britain in building railways for them when their own supplies of capital were inadequate for the purpose.

"The country which has received the largest amount of British capital is the United States, where we have been placing capital from the days of Queen Elizabeth. The War of Independence and the war of 1812-1814 caused but a temporary halt in the flow of British capital to America, but the amounts that were invested in that country prior to the days of railways were insignificant in comparison with the great sums which have been provided by investors since they began to find a large portion of the capital needed for the construction of railways in the young countries. There have, of course, been periods in which the States have been in a position to repay some of the capital obtained from this country, but these periods have been short, and from decade to decade the amount of our investments in the United States has shown large expansion until at the present time it reaches the great sum of about £688,000,000. It should, of course, be recognized that a part of this sum, and no inconsiderable part either, has resulted from increment or from the employment of profits by the undertakings in which the capital was placed to such good purpose, and that the value of the original sums invested has im-

mensely increased. Of this great sum nearly £600,000,000 is in railway securities.

"With the exception of the United States, our greatest investments are in the daughter States of the Empire, and in our great Indian possessions. Excluding the United States—to which, however, we are also attached by ties of blood and of language—Great Britain has provided more capital to Canada than to any other country, and the rate at which the British people are now increasing their investments in Canada is so rapid as to be phenomenal. The amount of visible capital our investors have placed in Canada now reaches the great sum of £373,000,000, and new supplies of visible capital are flowing to Canada at the rate of over £30,000,000 a year. Including the invisible capital, that is, the capital privately supplied for loans on mortgage, the purchase of land for the conduct of private businesses, etc., the amount is probably nearly £40,000,000 a year. The amount of visible capital we have sent to Canada in the last three years has reached £100,000,000.

"Canada still needs a large sum of money for the completion of the railways now under construction, and, inasmuch as the Mother Country is proud of the great progress of her daughter and is willing to supply her with all the capital she needs to develop her resources, it is evident that our capital investment in Canada will reach a much greater total in a few years. Practically the whole of the capital which has been spent upon railway construction in Canada has been provided by the investors of Great Britain. In the nineties, when our investors were suffering from a feeling of distrust of other nations, including the colonies, the progress of Canada was very slow, and the increase in her population relatively unimportant; but in recent years the ability of Canada to obtain all the capital she needs for the

development of her natural riches has stimulated the growth of her population in a wonderful manner.

"The British people have provided their kinsmen in the Australasian colonies with rather more capital than they have supplied to Canada, the visible amount reaching the great sum of £380,000,000. Of this total, £301,500,000 has been supplied to the Commonwealth, and £78,500,000 to New Zealand. A few years ago the amount of capital supplied to the Australian colonies was very much greater than that invested in Canada, but the rapidity with which Canada is developing, and the relatively slow progress of the Australian colonies have materially changed the situation. In the eighties there was a great flow of British capital to Australasia for railway construction, and population increased at a rapid rate; but in the nineties the country fell upon misfortune, firstly, because British investors were not willing to find much new capital in consequence of their distrust of colonial and foreign investments at that time; and secondly, because Australia was visited by a series of droughts which seriously checked her progress.

"In recent years the credit of Australasia has been fully restored, and the measures that are now being taken to increase the productive power of the country and to develop its natural resources will doubtless bring about the influx of a greatly increased amount of capital from this country, and thus stimulate the growth of population and of wealth. In 1909 the amount of new capital raised in London for Australasia was about £10,000,000. In a statement of the amount of capital invested by the British people in Australasia it is noted that about two-thirds of it has been provided by loans to the various governments. The object of these loans was railway construction and other public works. The circumstances of Australasia were such that it was more

desirable for the country to use its own credit in order to secure the necessary capital for railway construction than to leave railway extension to private enterprise. In Canada the circumstances are different, and the Canadian people have been able to get all the capital they require for railway construction by means of companies and by private enterprise; but, although the methods of obtaining the capital have differed, the railways both of Canada and of Australasia have been almost entirely constructed by means of the capital supplied by the Mother Country."

Here are the details of the amount obtained by Canada and Newfoundland:—

Government	£74,621,000
Municipal	17,327,000
Railways	223,740,000
Banks	4,180,000
Commercial and industrial, etc.	14,357,000
Electric lighting and power	3,272,000
Financial, land, and investment	12,613,000
Gas and water	743,000
Insurance	246,000
Iron, coal, and steel	7,331,000
Mines	7,396,000
Oil	907,000
Shipping	200,000
Tramways	5,808,000
Total	£372,541,000

"It will be realized that railways are the instruments mainly needed to develop the natural agricultural wealth of the young countries, and that, if the capital provided for railway construction be regarded as a part of the total capital we have found for developing the riches which Nature has bestowed upon the world, it is evident

that almost the whole of the capital provided by Great Britain for other countries has been used for increasing the world's productions of food, minerals, lumber, oil nitrate, rubber and other natural products. To show the amounts of capital we have supplied to the various countries of the world I give the following statement:—

The Colonies and India.

North America—	
Canada and Newfoundland	£372,541,000
Australasia—	
Australian Commonwealth	301,521,000
New Zealand	78,529,000
Africa—	
South Africa	351,368,000
West Africa	29,498,000
Asia—	
India and Ceylon	365,399,000
Straits Settlements	22,037,000
Hong Kong	3,104,000
British North Borneo	5,131,000
Other British Possessions	25,024,000
Total British Colonies and India	£1,554,152,000

Foreign Countries.

United States	£688,078,000
Cuba	22,700,000
Philippines	8,202,000
Argentina	269,808,000
Mexico	87,334,000
Brazil	94,440,000
Chili	46,375,000
Uruguay	35,255,000
Peru	31,986,000
Miscellaneous American countries	22,517,000
Russia	38,388,000
Turkey	18,320,000
Egypt	43,753,000

Spain	18,808,000
Italy	11,513,000
Portugal	8,134,000
France	7,071,000
Germany	6,061,000
Miscellaneous European countries	36,319,000
Japan	53,705,000
China	26,809,000
Miscellaneous foreign countries	61,907,000
Total foreign countries	£1,637,684,000
Grand total, all countries	£3,191,836,000

"Of Britain's total colonial and foreign investments 53 per cent. is in the Americas, 16 per cent. is in Asia, 14 per cent. is in Africa, 12 per cent. is in Australasia, and 5 per cent. is in Europe. The geographical distribution of British investments over the various continents is shown by the following statement:—

	£	Per cent. of total.
Americas	1,700,000,000	53
Asia	500,000,000	16
Africa	455,000,000	14
Australasia	387,000,000	12
Europe	150,000,000	5
Total	£3,192,000,000	100

"This great sum of £3,192,000,000 of capital which Great Britain has supplied to the nations is not the total sum her people are employing in other lands. I have taken no account of the large sum of what is termed private capital employed abroad by the British people in a variety of ways, such as the purchase of land, loans on mortgage, deposits in banks, branch manufacturing, mercantile, and trade undertakings, etc., etc. If allow-

ance be made, on the one hand, for the foreign capital employed in British companies both at home and abroad and in British loans, and, on the other, for the vast amount of private capital which the British people have placed abroad I think the net total of British investments in other lands would be not much short of £3,500,000,000."

APPENDIX II.

IS CANADA OVER-BORROWING?

Quoting the original figures respecting the investment of British and foreign capital in Canada, *The (London) Standard of Empire* said: "These figures make a gigantic total for so short a period, and it is perhaps scarcely surprising that Mr. Field, as the result of his exhaustive survey, with its almost sensational finding, should utter a note of warning as to the need for judicious restraint on the part of the Dominion with regard to the financing of its enterprises from sources outside the country. It can certainly be doubted whether any country could point to such a marvellous display of confidence on the part of foreign investors as that which has been exhibited in Canada during the past decade, while the amount contributed by the United Kingdom within the short space of five years is a sufficient testimony to what is thought of the possibilities of that country by the leading monetary centre of the world.

"In spite of the extraordinary character of the figures already quoted, the question of whether Canada is or is not overborrowing is a rather difficult one to answer. Judged from the standpoint of her enormous natural resources, and the possibilities which lie ahead, we believe that even the borrowing up to date of this portion of the Empire is comparatively moderate. The borrowing, in fact, has to be judged in the light of the

enormous strides which have been made in the actual productive power of the country. Even if, during the next few years, there should be no abatement in Canada's loan operations, there would probably be ample opportunity not only for the safe, but for the profitable employment of all the capital raised, and certainly within the next decade we look for even more striking financial and commercial developments in Canada than those which have characterized the past decade, wonderful as they have been.

"There is always another standpoint from which the development of a new country must be considered, namely, the probability of occasional setbacks in the rate of progress and the necessity for occasional periods of comparative quietude, during which there usually takes place that useful consolidating of prosperity which makes for permanent growth. It is this aspect of the situation which was evidently present in the mind of Mr. Field when he referred to the vast increase in the amount which is now being paid abroad annually by Canada in the shape of interest. This task is easy to perform when large crops are the order of the day, and when, moreover, fresh capital is still streaming in from the leading countries. The strain comes when there is a lull in prosperity, and when the fresh capital comes in less rapidly.

"Fortunately for the Dominion of Canada, there has grown up side by side with the great advance in agriculture and industrial prosperity an equally rapid extension in what has been proved to be one of the soundest banking systems established in any country. Not only is the banking system of Canada sound in itself, as regards what may be termed its machinery, but even in the article referred to above, it is easy to detect that healthy note of internal criticism which may doubtless be considered as indirectly reflecting the finan-

cial views of banking interests in Canada. In other words, the criticism has come from within rather than from without. That in itself is an excellent symptom, and it is one which strengthens the opinion abroad that up to the present moment Canada has not overborrowed. In the first place, so far as can reasonably be ascertained, the money obtained from abroad has been invested in the soundest possible enterprises, and, in the second place, the material wealth of the country has increased in even greater proportion than have the loans which have followed.

"But if it be true, as we believe it is, that the amount at present borrowed by Canada is amply justified by the results which have followed, and that a charge of over-borrowing cannot be justified, there is, none the less, reason to believe that the highest financial quarters are themselves thoroughly ready to recognize that the best interests of the country will be served by checking rather than forcing the pace in the immediate future. The manner in which, during the crisis year 1907 in the United States, it was found that Canada had shown a greater restraint, and had, moreover, managed its banking affairs in a far better manner than its neighbor—a much older country—made a profound impression on the London money market, and so enhanced the credit of Canada as to greatly facilitate the further borrowings which took place immediately afterward. At the present moment, the Home Country, with its possibly somewhat old-fashioned ideas, with regard to the rate at which enterprises of new countries should be developed, will be the first to note evidences of restraint in borrowing by Canada, and will be the more ready at no distant date once again to pour money into what has proved to be so profitable a channel. It is certainly highly suggestive that, at a moment when the United States is still feverishly

borrowing huge sums in the London market to adjust its adverse balance of trade, Canada is showing a tendency of her own accord to call a halt.

"In connection with the schemes already in progress, money will doubtless be wanted from time to time in the near future, by the Canadian railways and by other leading industrial concerns, while the maturing of Canadian debt will, of course, have to be dealt with. It is also equally certain that within measurable distance the enormous resources of the country will continue to attract, in natural fashion, both labor and capital, but, so far as purely fresh enterprises are concerned, it would not be surprising if there should be for a time some slackening as compared with the extraordinary activity of the past few years.

"On the other hand, it has to be remembered that the resources of Canada are now so widely known that there is an increasing tendency for capital to seek employment in that direction, quite apart from any direct appeal, either by the Canadian Government or by Canadian enterprises. It will be noted from the figures quoted that the United States came in a good second to Great Britain, in the amount of capital contributed, and there can be no question that if the pace is 'forced' in Canada it will, to a large extent, be by United States capitalists themselves. As President Taft said only quite recently in an address to Congress: 'To-day more than ever before, American capital is seeking investment in foreign countries, and American products are more and more generally seeking foreign markets.' In the sense in which Mr. Taft was speaking, the word 'foreign' included the Dominion of Canada, and if for some months to come there should be an apparent slackening in Canadian activity as reflected in her loan operations, it might be well for investors in the Home Country, and still more

for those who are able to visit the country itself, to remember that those in close geographical proximity to Canada are keenly alive to the fact that any pause in Canadian progress will be of the briefest character, and will prove merely a prelude to still greater activity and prosperity in the years to come."

Discussing the same matter, the *Montreal Gazette* says: "Figures recently compiled have caused some observers in England as well as in Canada to ask if it would not be well that some restraint should be put on the borrowings on behalf of Canada by governments, municipalities, railways and commercial enterprises. To a large number of people in Canada, the idea of doing anything to check the inflow of capital is akin to treason. They have been taught to think only of what may be obtained by the expenditure of money, and think not at all of the day of paying back. So we have demands for the laying out of a hundred and fifty millions on the Ottawa and Georgian Bay Canal, of tens of millions on a new Welland Canal, of tens of millions more on a railway to Hudson Bay, and of many millions more on a variety of enterprises of greater or less inutility, the chief benefit from which would be local and temporary, ending practically with the final payment of the contractor. There may well be too much of this. There has, in the view of many, been too much of it already. Huge sums have been borrowed by government and laid out on railways, that in a series of years have not a dollar of net revenue to their credit, or will not become revenue producers for years to come.

"The provinces also have been free borrowers, and some of them have given the benefit of their credit to uncommercial enterprise that may yet cause them serious inconvenience and loss. Some, too, have aided enterprises, which in operation will likely be destructive of

private capital legally invested in works of public utility. The lenders, however, so far as the present is concerned, are sure of their interest and capital, and from the investor's point of view that is the important thing. It can be believed that, as a rule, the municipal borrowings have been justified on good business lines. The case of Montreal is in point. It has borrowed largely in recent years, and it will, in the order of things, borrow largely in the immediate future. It has spent much on improving its water supply, and paving and street works, including sewers, on necessary widening of leading thoroughfares, etc. It is being made a better and healthier city in consequence. Its growth in population and trade and wealth is warrant for saying that its reputation on the money market will be maintained, no matter how great, within reasonable limits, of course, its debt may become.

"The case with Montreal is generally the case with other municipalities. They have borrowed, as a rule, for proper municipal works and only in a minor way for experiments in municipal trading. It is doubtful if any securities in the strong boxes of the English investor are safer than those of established Canadian cities and towns. When the field of commercial investment is taken up, a great variety of conditions arise for consideration. There are Canadian railway bonds and shares among the best that can be bought. There are utility company issues of unquestioned soundness. There are loan and mortgage company debentures and stocks that are fit for trust investments. Then there are a host of miscellaneous issues, of transportation companies, of mergers, of mines, and of many other things, varying from good to bad. It is only in connection with these that danger can be said to lie; and as a guard against it nothing is likely to be more effective than the commonsense of the investor or the investor's banker or broker. It has foiled

some recent attempts to get money on questionable enterprises, and has even given a lesson to those who have sound securities to offer to the effect that the market does not take kindly to too much of what is a reasonably good thing. This common sense, saving the investor, also saves the too eager borrower from the effects of his optimism. It gives really the only check upon a country borrowing too much, and it may be left to find out the time when a check is needed."

APPENDIX III.

CANADA AND INTERNATIONAL FINANCE.

One of the most enlightening of the analyses of compilations respecting the investment of British, American and foreign capital in Canada has appeared in Mr. W. R. Lawson's latest volume, "Canada and the Empire." The following extracts are quoted, and will be interesting. The figures cited by Mr. Lawson are those which appeared first in 1909, and are revised and brought up to date in the foregoing pages:—

"Any estimate," says Mr. Lawson, "that can be formed of the amount of borrowed capital in Canada must necessarily be little more than guesswork. But even if exact results cannot be arrived at, the attempt to reach them is in itself beneficial. It is in the highest degree educative—first, as regards Canada; and secondly, as regards the ever-widening science of international finance. It fosters, both among lenders and borrowers, a healthy spirit of caution. It furnishes an indispensable basis for national finance. All conscientious borrowers, whether public or private, intend to keep within the limits of solvency, but few of them are able to judge correctly what these limits are, even in their private affairs. How much more difficult must it be to ascertain and observe the limits of national solvency!

"Not many borrowing nations have yet begun to trouble themselves seriously about such questions. They prefer the cynical view of Sheridan, who, when asked if the thought of his debts never kept him awake at nights, replied: "Why should they? It is my creditors

that they should keep awake." As a rule, colonial governments have not been of Sheridan's sort. They have appreciated the inestimable value of good credit, and have done their best to maintain it. What an advantage that was for them in their early days they are only now beginning to realize. It was no less advantageous to the Mother Country, because it formed a bond of union between them. When all other influences, and political influences in particular, tended to push the colonies out of the Empire, the fact that London was the only place which could finance them held them to their old allegiance.

"It is hardly too much to say that in the first quarter of a century of colonial self-government, Lombard Street was the chief centripetal force in the Empire, while St. Stephen's and Downing Street were almost entirely centrifugal. In those days the colonies might have drifted apart but for the financial ties, which grew stronger and stronger as the political ties relaxed. In course of time, commerce came to the help of finance, and between them they gradually grew too strong for the anti-imperialist policy. Though Lombard Street is no longer so absolutely necessary as it was to the colonies, it is still their best friend. As borrowers they have been systematically favored, and the exceptionally good credit they enjoy in the City has its sentimental as well as its purely business side.

"A magnificent illustration of that truth is to be found in the recent financial history of Canada. She has had millions of British capital heaped upon her while other borrowing countries, with as good security to offer, have had difficulty in obtaining a third as much. But the money actually lent has been only a small part of the financial benefit she has received. In addition, she has had the use on special terms of the world-wide

credit system centred in London. Tangible commodities and securities are nowadays but a small part of human wealth. Banking credit is a separate and distinct asset, which, in course of time, may overshadow the other two. In this respect London has been an unspeakable benefactor to the world in general, and our colonies in particular. Having created a great banking system for itself, it helped Canada, Australia, South Africa, and nearly every other outlying part of the Empire to connect themselves with it.

"The actual money lent to the colonies, however huge our estimate of it may be, is a secondary matter compared with the means and the machinery with which the colonies were supplied for creating capital of their own. That is the first and greatest of the financial debts which they owe to the Mother Country. It cannot be measured or expressed in figures. Special financial intelligence is needed even to realize it. But though it cannot be made either visible or tangible, it may form a good background to our estimates of money lent and capital invested in the Dominion. In the opinion of one of our most skilful and painstaking statisticians, these now amount to about three hundred millions sterling.

"That will serve well enough for a starting-point from which to measure future progress. It may be that further tests will lead to its modification, but it can be provisionally accepted as a working hypothesis. The next step in our inquiry will be to find some reliable measure of the rate at which our Canadian investments are growing. On this part of the problem the Canadians themselves are the best authorities, and it is satisfactory to observe that they are working on it most diligently. Several experts are endeavoring to make a regular record of the new capital entering the Dominion from all quarters, British and foreign. Their figures, like

those of Mr. Paish, have to be rounded off with estimates and approximations. Nevertheless, they have practical value both for the student and the man of business. The most detailed calculation of Canada's recent borrowings has been made by Mr. Fred. W. Field, the editor of The Monetary Times of Canada."

After quoting the figures, Mr. Lawson says: "No colony or foreign state has ever been so liberally treated in London. No other borrower, colonial or foreign, has ever obtained such a predominant share of our new capital creations. Even greater favor appears to have been shown to Canada in our private and indirect investments. These aggregated in five years $124,392,000—about a fourth of the public issues on Canadian account, and fully a fifth of the entire capital invested.

"The six and a half millions sterling which has been handed over to about a dozen Canadian municipalities gives us occasion to think, if not, as a Frenchman would say, furiously, at least seriously. These municipal issues may easily be overdone, and they are the most difficult of all to keep a vigilant eye upon—the more so as they are brought out in a rather bewildering variety of ways, and not all of them above board. The same municipality may be borrowing at home, in Toronto or Montreal, and in London simultaneously. Some of them have even tried New York. The effect of the above new issues has been to nearly double the municipal indebtedness of Canada to London.

"Even that was not the whole tale of Canada's municipal borrowing. In Mr. Field's summary of British investments in the five years ($605,453,852) it will be observed that there is a separate item of $10,000,000 for municipal bonds sold privately. This indicates a new method of placing Canadian securities on the British market, which has some obvious drawbacks. It deprives

dealers and investors of the necessary means of watching the supply of such securities and the amount of them outstanding at a given date. When they are openly issued, all interested persons can keep track of them and form their own opinion as to the state of the market. But when large blocks are placed privately, or, worse still, when they are pledged in London banks, the situation may be to that extent misleading.

"The whole amount of Canadian municipal bonds now officially quoted on the London Stock Exchange is under fifteen millions sterling. The above ten million dollars, or two millions sterling, placed privately is, therefore, a comparatively large addition. If further private issues are still being made at a similar rate, say, two million dollars per annum, the concealed issues might soon become larger than the public ones. Any judgment as to the value of such bonds based on the amounts officially quoted would then be quite unreliable. Here the very superiority of Canadian credit may become a danger to itself and others. Its securities are in such favor that they are readily bought or financed without coming on the open market. There is no knowing what quantity of them may have been already distributed through the various private channels open to them—banks, insurance companies, investment trusts, finance houses, and capitalists.

"To have secured in five years nearly a hundred million sterling of British money by public issues should have been fairly satisfactory to the Canadians. It should not have left much occasion for private financing at the same time, especially of the class of securities least suitable for keeping out of sight. The Canadians frequently reproach us with sticking too closely to investment securities, and impress on us the example of the American capitalists, who prefer the higher yields and greater excitements of industrial ventures.

"The one line of enterprise in which British capitalists have allowed themselves to be beaten by the Americans in equal competition is industrials. There they have doubtless been slack and shortsighted, but of late a marked waking up has taken place among them. In land and lumber deals they had never much chance against the Americans and Canadians, who have made these their peculiar privilege. Into such deals there has generally been a large infusion of politics, not always above suspicion. They demand local knowledge and familiarity with all the technical intricacies of land laws and timber licences. It is doubtful if Englishmen, who hate details, and like to keep politics out of business, could ever have been much at home among timber limits, and they may be as well out of them.

"Years ago some Scottish companies experimented very unsuccessfully in Canadian timber, and that warning may have been taken too much to heart. It certainly damped Scottish ardour, and may have had a sympathetic effect in England. But the great distinction between British and American investors with regard to Canadian land and lumber deals is that the American can combine them with everyday business, while for Englishmen that is very difficult. An American speculator in land, timber, pulp, coal, or other natural products, is continually in touch with the markets for such commodities. With him land and timber deals are not outside speculations; they are all in his day's work. On the contrary, a British speculator who has no special knowledge of Canada must go out of his way for such deals, and in default of special knowledge he has to trust to experts, real or pretended, in handling them.

"On the whole, he may be better, as well as safer, in concentrating himself on investments yielding fixed returns. If they offer no prizes like those of the Ameri-

can lumber kings and land boomers, neither do they entail any disastrous risks. In twenty years' time a steady average of 4 per cent. on the British $605,000,000 may amount to quite as much as the net result of the big gains and big losses which the Americans will make on their $279,000,000.

"Another point in favor of the British investor is that he will excite less political jealousy than the American millionaires, who may emerge from the $279,000,000. Canada has not yet had time to develop socialistic sentiments, but already rich men have been given in various ways to understand that they are not popular. Municipal bodies, eager to emulate their success as traders or financiers, are plunging into competition with them. Large sections of the Canadian press pander to that unhealthy prejudice. It is so strong and so widespread that the foremost bankers in the Dominion have uttered grave warnings against it. Three or four years ago Sir Edward Clouston, the president of the Bank of Montreal, on returning from a visit to Mexico, compared the political ethics of the Republic and the Dominion in a style far from flattering to his own countrymen. Replying to a question about the safety of foreign investments in Mexico, he said:—

" 'In every instance in Mexico in which a corporation acts in good faith—desirous of giving a good service and, at the same time, earning a profit upon investment the whole resources of the State are at the disposal of such corporations to guarantee security in the enjoyment of their franchise. This is not the case in Canada to-day, he added. It is certainly not the case in Ontario, where you see a disposition to apply socialistic theories to the operation of public utilities.' "

"To a Canadian journalist such sentiments sounded incredible, and another question was put to make sure.

Sir Edward repeated his anti-socialistic warning in more emphatic terms: 'That is just it. Investments are secure in Mexico. There is nothing to alarm capital. But in our own country we can see that the application of socialistic theories might well produce the gravest conditions with respect to the investment of capital.' "

" 'Canada has another eminent and respected banker who is listened to with respect on all financial and economic subjects. About the same time that Sir Edward Clouston was praising Mexican honesty, Sir Edmund Walker, the president of the Canadian Bank of Commerce, addressed an important assembly at Halifax. In doing so he emphasized the importance of safeguarding the financial credit of the Dominion: 'If (he said) we desire to maintain the splendid credit we now enjoy, and if we reflect on the quantity of new capital we shall require year after year as we build up our country, then it behoves every good citizen to see that the incipient hatred of success, which is being encouraged every day by hundreds of inexperienced writers in our daily press, be stopped, otherwise we must certainly suffer severely in our credit.

" 'Canada has doubtless immense natural resources, but, on the other hand, they have been pretty heavily mortgaged. Her indebtedness to Great Britain, which some time ago Mr. Paish estimated at £300,000,000, may now be nearer £400,000,000, and it is growing at an average rate of £20,000,000 to £25,000,000 a year. In addition, she owes about £300,000,000 to the United States, and that is also increasing rapidly. Mr. Field estimates the other foreign capital invested in the Dominion at $77,889,650. The grand total of her external obligations is not much, if any, less than five hundred millions sterling (£500,000,000), a tidy sum to earn interest upon year in and year out.' "

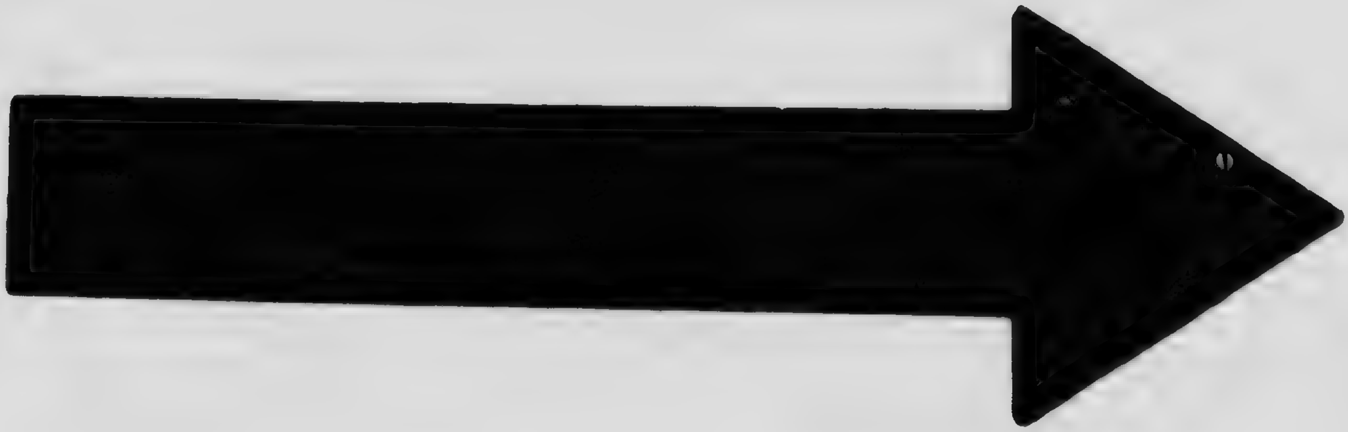
APPENDIX IV.

EDITORIAL COMMENTS.

The following newspaper comments are based on the author's first two articles on British and American capital in Canada, published in 1909, and revised in the present volume. This accounts for differences in the figures quoted:—

The Toronto Globe thinks that the simple and obvious lesson of the record of our British borrowings is the absolute dependence of Canada on foreign capital for development commensurate with her natural opportunities. Canada's vast areas of agricultural land will be a perpetual source of wealth, but they require commensurate railway development to make them economically available. For the capital necessary in extending transportation facilities there is no source except the world's financial capital.

All the corporate or individual enterprises, it adds, have necessarily been accompanied by proportionate Governmental and municipal necessities. New populous centres have sprung into existence, Provinces have been created, and a new Dominion has awakened to new needs. The resultant demand for capital to be permanently invested in public projects has been met by Federal and Provincial borrowing aggregating $149,-497,000, and municipal borrowing to the extent of $31,770,000. Large as these aggregates seem, they are required to start the wheels of wealth production in Canada, and the resources of the Dominion are sufficient



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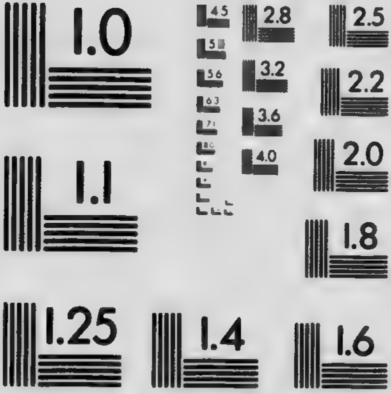

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to insure good returns to both borrowers and lenders. The lesson of this necessary dependence on British capital is the need of keeping Canadian credit above suspicion. While British investors are fully assured that their confidence is not misplaced, the certain needs of future years will be met as in the past, and Canadian development will continue, concludes *The Globe*, in proportion to her endowments of natural and potential wealth.

That Canadians have no ground for complaining that British capital has not favored our industrial development particularly, is the opinion of *The Toronto Star*, which says that the British investor has a right to place his money wherever he thinks it will yield the best return. But it might pay the British manufacturer, as well as the investor, to pay a little more attention to the Canadian field. Many American manufacturers have decided that it is more profitable to establish industries in Canada than to ship their products from the United States. The British manufacturer, one would suppose, has still stronger reasons for setting up establishments in Canada and studying the requirements of the market at close range. It is gratifying to know, adds our contemporary, that although our borrowings are heavy, our credit is good. There is general confidence in our resources, and our future.

It is a good thing for Canada to be eldest son in his father's house and master in his own, says Mr. H. F. Gadsby, in *Canadian Collier's Weekly*, referring to Great Britain's loans to Canada. London is still the greatest loaning centre, he continues, and British capital the greatest adventurer in the world. And Canada stands high in that money market—our credit good, our resources boundless, our future dazzling. John Bull's appetite for gilt-edged securities is enormous. Being at a distance from his enterprises, he favors bonds. He

lets the common and preferred stockholders do the directing and worrying. Government and municipal debentures he absorbs with relish. He is working up a taste for Canadian industrials, and he also likes land and timber. His Canadian mining investments, to the tune of $56,000,000, are a sort of a hot sauce with a flavor of danger. His mouth begins to water at our import trade, in which the United States, having studied the whims of our market, is his great rival. The United States has sixty per cent. of this trade. The commercial map of Canada is written on Uncle Sam's heart as Calais was on Queen Mary's. The day approaches when the Canadian North-West will grow a billion bushels of wheat. We are going to have a lot to spend. John Bull should not rest content with lending us money. He ought to have a bigger share of our import trade. If he gives us style, in addition to quality, he will get it, concludes Mr. Gadsby.

A new line of argument is taken by *The Toronto Telegram*, which thinks that Canada is to be congratulated on the receipt of the $605,000,000 which Britain has loaned to Canada in five years, and that Britain is also to be congratulated on the certainty that the $605,000,000 loaned to Canada is much more profitably employed than the billions of dollars that are now stored in the Old Country banks bearing little or no interest and awaiting investment.

If Canada is fortunate, it reasons, in having such a lender as Britain, surely Britain is also fortunate in having such a borrower as Canada. Money-borrowers, on good security, are almost as necessary to Britain's prosperity as money-lenders are to Canada's development.

The only market so far open to meet Canada's needs, which are likely to be greater in the future than in the

past, is that of London. So says *The Manitoba Free Press.* Canada will have some large demands to make, and, if her loans continue to be as well received as have those of the last two years, and the price paid for them continues to remain favorable, she will be fortunate. To retain the high estimate which Britishers at present have of Canadian securities ought to be the object, thinks that journal, of the greatest care and vigilance.

Nothing could be more satisfactory or promising, from the point of view of national development, is the sentiment voiced by *The Halifax Chronicle*, than the assured position which Canada has attained in London, the greatest loaning centre of the world, which, on the testimony of eminent financiers, has a practically inexhaustible supply of capital for investment abroad.

Discussing the question of the trade balance, *The Moncton Daily Times* fears that our borrowings are building a large future debt. Canada's imports of foreign merchandise during 1909, it says, represented the value of $375,000,000, while our exports of domestic products were of the value of but $279,000,000. Thus the adverse balance of trade against this country in one year is nearly one hundred million dollars, and it becomes a question how much of the new capital remains in the country and how much goes to meet the large adverse balance of trade. If the capital investment is largely taken up by this adverse balance of trade, as seems inevitable, we are simply piling up debt against the future.

Great Britain is able to stand a large adverse trade balance because of her enormous income from foreign investments, but this is not the policy that has made the United States and Germany the great rivals of Britain in commerce and industry. It would seem that a fiscal policy, continues the Moncton journal, that would lead

to the production in Canada of a proportion at least of the merchandise now imported would seem to be necessary if this country is to reap the full benefit of the influx of people and the large investment of capital from Britain and other countries.

Gratification regarding Canada's fame as an investment field is expressed by *The Medicine Hat News*, which cites capital and population as our two greatest needs to secure the fullest realization of its great and varied resources. The capital is coming in rapidly, and so is the population. Every dollar spent in development creates the power for the creation of other dollars. Every productive individual added to our population, it concludes, does similarly.

Discussing what it terms, "Canada's extraordinary borrowings," *The Toronto News* cites the fact that the Dominion is an attractive field for investment, and the capitalists of London recognize the fact. There is no doubt also something in the circumstance that this country is part of the Empire, it adds. We get more free advertising in England for that reason than we otherwise would. For our part we must maintain our credit at the world's capital. To that end we should offer nothing but sound securities in Great Britain, is its concluding advice.

In a lengthy reference to the subject, *The Vancouver News Advertiser* lays particular stress upon the maintenance of good credit. If we look to that, it says, it will be difficult to put any limit on the amount of capital that will be available for Canadian projects of various descriptions. Other countries are eager to attract capital to themselves, and it will only be possible for us to secure the capital required for all the enterprises we desire to carry out, if the owners of that capital are assured of the sufficiency of the security and satisfied

with the return yielded by their investment. Doubtful or reckless projects should be condemned and every precaution taken to prevent British capital being invested in them.

If war should inflict great loss upon Great Britain, or, in other words, great destruction of capital, what would be the effect upon Canada? Where would our Government float their loans? Where would our railways sell their bonds? These questions are asked by *The Nelson News*, which also replies that the required funds might with some difficulty be secured from foreign countries, but it would be at increased rates of interest, which would be a tax upon the prosperity of the Dominion. Merely for this reason, if for no other, Canada is vitally interested in the maintenance of the military and naval strength of the Empire.

Capital knows no creed or nationality, states *The Canadian Century*. It turns to the countries of opportunity, and just now Canada is offering opportunities. The same journal points out that if one were to interpret Great Britain's $600,000,000 loans to Canada, it would mean that the Englishman had advanced Canada $100 per head of her population, although that, of course, is not just what took place.

Nobody rejoices more than the Mother Country, says *The Montreal Witness*, that Canada's great natural wealth, the practically unlimited supply of capital from the home country at preferential rates, the free markets and good prices for produce, the increasing supply of skilled farmers, and the free supply of labor render her future assured. Great Britain, it adds, has given and will give to Canada all the financial and moral support which she can expect.

A total and a record of which both borrower and lender may justly feel proud, is how *The Standard*

Empire Supplement describes Great Britain's Canadian loan statement. It tells, on the one hand, of truly remarkable progress in a young country, while it speaks with scarcely less eloquence of remarkable vitality in the lending power of the parent concern.

To those of our readers overseas who may be inclined still to dwell upon the vast sums loaned by the Home-country to foreign nations we would commend two facts, continues *The Standard*. The first is that it has to be remembered that the financing by London of foreign nations is, after all, a custom which goes back to a period long before there were oversea Dominions of our own to finance, and it is only natural that this older portion of our business as a lending centre should continue to be a leading feature. The other fact, however, to be noted is that just as trade between the Empire is expanding in much greater proportion to that of our trade with foreign countries, so there are abundant indications that of the sum total invested by Great Britain outside purely Home securities the amount employed in the various parts of the Empire is, proportionately, steadily increasing as compared with the sums lent to foreign countries. It is a fact which can scarcely fail to be welcome to those who appreciate all that is involved in the rapid development of the resources of Greater Britain, and who realize how greatly that development must add to the strength and power of the Empire as a whole.

The astonishing railway development of the Dominion from east to west has only been possible because of the faith of the British investor, and how could successive Canadian Finance Ministers have pursued their large-handed policy of expansion but for the co-operation of the oft-maligned John Bull? Thus reasons *The Canadian Gazette*, of London. We are glad to think that Canada has more than justified his good opinion of her,

but do not let us forget the hand that "helped us over" and is helping us now with an almost unbounded confidence in the far greater things that the future has in store. Every day adds to the lesson, the same journal advises, that, be the investment large or small, there is only one profitable Canadian attitude towards the British investor—the policy of straight dealing and fair sharing.

Noting our estimate that British investors have placed $605,000,000 in the Dominion during the past five years, and the estimate of Mr. Paish, that existing British investments in Canada totalled $1,500,000,000, *The Springfield Republican* draws attention to the interesting fact that thus more than a third of the British-owned capital located in Canada has been placed there within half a decade. This is strikingly reflective of the extent and rapidity of the material development which is taking hold of the country to the north of us, concludes that journal.

Although Britishers have not invested in grain, lumber and manufacturing businesses to the same extent as Americans, notes *The Manitoba Free Press*, they have supplied capital for other primary needs of the country, and in volume the British investments are very much greater than those of the Americans. In so far as the three prairie provinces are concerned, there can be no question that the money and wealth being brought in by immigrants from the United States is one of the factors of the present progressive movement, but what would the sum total of their efforts accomplish without the opportunities provided for them by the expenditure of British money, procured upon the guarantee of the whole people, in the building of new railroads? The particular merit of the average United States settler is that he knows how to utilize Canadian opportunities and does

not hesitate to seize the opportunity to become a Canadian as soon as he can.

The figures are at once a standing testimony on the one hand to the benefits accruing to Canada from the importation of capital, and on the other hand to the enormous profits which have resulted to those in the United States who have been quick to discern the great possibilities which Canada affords for the profitbale employment of capital. These are the conclusions of *The Fredericton Gleaner.*

Both *The Hamilton Times,* Ontario, and *Commercial West,* of Minneapolis, comment upon American foresight. The United States investors are shrewd enough to appreciate the advantages Canada offers, says the former, the latter remarking that in the United States there is a keen appreciation of industrial opportunities in the Dominion. Commenting upon the small number of consular agents maintained by Great Britain in Canada, as compared to the United States, the same paper says that it is not too late for Great Britain, as the Canadian West is only just getting fairly started.

There is still plenty of room and opportunity for a long time to come in the United States, says *The New York Journal of Commerce,* but that will not prevent an overflow into a land of similar character separated only by a political line where room and opportunity are still greater in the line of new development. The lower part of British America stretches across the continent, even wider than the United States, with only about 7,000,000 inhabitants, and with space and means of life for ten times the number. American capital and American blood are likely to invade Canada with an increasing current and have an effect upon its character and destiny. It will not interfere with its independence, perhaps not with its loyalty to the great Empire of which it is a part, but it

ought, concludes our New York contemporary, to bring the two countries into more harmonious relations in their material interests, which cannot be antagonistic, and ought to be mutually beneficial.

The reason why American capital goes to Canada is the same reason which prompts our farmers and miners to go there, says *The Chicago Record-Herald*, and that reason is opportunity. Canada is sound, prosperous and largely undeveloped; she needs plenty of muscle, brain and gold. She is getting these things, and will continue to get them for decades. There is nothing strange, regrettable or marvellous about the phenomenon, and we are not disposed to think that any sensible American does regret it. Canada is a good neighbor and excellent customer, and the richer she is the better for our producers and traders. Under any policy our capital and our land-hungry farmers would find Canada alluring. Still, it is true that a certain or uncertain proportion of American capital has been forced into Canada by our high tariff, and that liberal reciprocity with her would tend to keep such capital at home. Here is, in truth, a good argument for reciprocity, though not a new one. There are other good pro-reciprocity arguments, as there are for such complete freedom of trade between the United States and Canada. The barriers between the two peoples are purely artificial, finally comments that journal.

Competition for Canada's trade makes it incumbent upon many American manufacturers to establish plants over the border line, taking advantage of the lack of tariff restriction, points out *The New York Financier*. The incentive to erect these establishments will be given a new impetus within the next year, through the negotiation by the Dominion Parliament of preferential treaties with one or more foreign countries. The United

States has never been known as a nation which uses its surplus money for outside development, the simple reason being that there has always been an opportunity within our boundary lines for whatever surplus existed. Still, between Mexico, Canada, and in a lesser degree some other parts of the world, United States capital to the extent of at least 1,000 million dollars is employed in industrial enterprises and ventures of like nature, estimates this New York authority.

Another view is taken by *Canada*, of London, which considers the effect of this American enterprise, and why it is a matter for regret. At first sight there seems nothing to regret in it. The money has helped the development of Canadian resources, and the men who have brought the capital into the country are keen business men who would help the prosperity of any country in which they settled. Where the trouble lies is in the fact that nearly all American capital invested in Canada is brought in by the investor personally, and, as there is no corresponding investment of the kind made by British investors, there is an increasing predominance in Canada of powerful American influence counteracted by no similar enterprise on the part of the British investors, concludes our English contemporary.

Lessons for Great Britain are also drawn from the statistics by *The Canadian Gazette*, which thinks that the relations between Canada and the United States are undergoing a remarkable transformation, and whatever may be our opinions on Imperial and fiscal questions, this transformation is worthy of the closest attention. From it we see at once Canada's growing importance among the industrial nations of the world, and we can realize the consequent changes in her relationship with the British Empire and with the leading industrial countries of Europe, such as Germany and France. It will

be seen that it is especially in the Western sections of Canada that the United States capitalist is reaping profits which, we must assume, are greater than those available to him in his own country. It is unnecessary to dot the i's of this remarkable total. Obviously, it indicates an enormous influence constantly and increasingly at work in Canadian public life, and it would be unreasonable to expect that influence to be opposed to Continentalism and in favor of Empire unity, unless substantial reasons exist for the Empire as against the Continent. The moral is directed straight at the British business man and investor, concludes *The Gazette*. Go in and possess more of the good things that Canada offers.

APPENDIX V.

LIST OF CANADIAN FLOTATIONS IN LONDON, ·ANUARY, 1905, TO APRIL, 1911.

1905

	Company	Amount	Security	Issued at
		£		
Feb.	Canadian Northern Ry	600,000	4% perpetual consolidated debenture stock	92
"	Grand Trunk Pacific..	3,004,000	4% sterling bonds....	[illegible]
Mar.	Canadian Northern Ry	1,923,287	3% 1st mortgage debenture stock.......	95
"	Grand Trunk Pacific..	3,200,000	3% 1st mortgage sterling bonds..........	95
"	Imperial Paper Mills of Canada, Limited....	60,000	6% debentures........	par
April	Montreal Light, Heat & Power Co........	150,000	In shares.............	92
"	Shawinigan Water & Power Co.....	500,000	5% consolidated 1st mortgage bonds....	98
May	Western Canada Pulp & Paper Co........	300,000	6% cumulative preference shares of £1 ea.	par
June	Canada Atlantic Ry. Co	1,025,000	4% 1st mortgage consolidated gold bonds	99
"	City of Quebec.......	78,000	3½% consolidated stock	93½
Aug.	Nova Scotia Eastern Ry	940,000	5% 1st mortgage gold bonds.............	92½
"	Western Canada Cement & Coal Co....	225,000	6% 1st mortgage bonds	par
Oct.	Northern Sulphite Mills of Canada..........	100,000	6% 1st mortgage bonds	par
Nov.	Canadian Northern Ry	1,240,000	4% perpetual debenture stock..........	90
Dec.	British Columbia Elec. Ry...............	185,000	5% cumulative perpetual preference shares at £1 each.....	£1-0-10
	Total, 1905.........	13,530,287		

1906

	Company	Amount	Security	Issued at
		£		
Feb.	Canadian Gener'l Electric	220,000	Common stock of £100 shares	142½
"	Dawson, Grand Forks & Stewart River Ry.	125,000	6% consolidated debenture stock	par
"	Western Canada Land Co	300,000	£1 shares ..£1	-5-0
Mar.	Electrical Developm'nt Company of Ontario	500,000	1st mortgage sinking fund 5% gold bonds	96½
"	Grand Trunk Ry.	1,000,000	4% guaranteed stock	par
"	Province of Ontario	1,200,000	3½% registered stock	98½
May	Western Dominion Collieries, Limited	200,000	In £1 shares	par
		100,000	6% 1st mortgage debenture	98
June	Canadian Pacific Sulphite Pulp Co	75,000	"A." shares of £1 ea.	par
		7,500	"C." shares of £1 ea.	par
July	Atlantic, Quebec & Western Ry.	750,000	5% 1st mortgage debenture bonds	95
"	Temisucouta Ry.	50,000	5% prior lien bonds	par
Oct.	Canadian Northern Ry	1,000,000	4% perpetual guaranteed debenture stock	98
"	Southern Alberta Land Co	400,000	In £1 shares	par
"	Trust & Loan Co. of Canada	500,000	4% perpetual debenture stock	par
	Total, 1906	6,427,500		

1907

	Company	Amount	Security	Issued at
		£		
Feb.	Grand Trunk Pacific..	1,000,000	....	par
Mar.	British Columbia Elec. Ry................	300,000	4½% perpetual consolidated debenture stock	98
"	Canadian Estates, Ltd.	215,000	7% participating preference shares of £1.	par
"	Vancouver Copper Co.	80,000	In £1 shares.........	par
Apl.	Canadian Northern Ontario Ry...........	793,569	3½% 1st mortgage debenture stock.......	91½
"	City of Winnipeg.....	327,642	4% debentures........	par
May	England's Premier Cobalt Mining Co.....	220,000	In £1 shares..........	par
June	Annapolis Iron Co....	140,000	5% 1st mortgage 30-year gold bonds....	92½
"	Shawinigan Water & Power Co..........	200,000	4½% perpetual consolidated mortgage debentures...........	90
July	Bluebell Gold Mines..	20,000	In shares............	4/2
"	City of Regina.......	111,000	4½% debentures......	....
"	Western Canada Timber Co............	75,000	6% 1st mortgage debentures...........	par
Oct.	Canadian Gener'l Electric Co............	400,000	7% cumulative perpetual stock..........	par
"	City of Edmonton	139,400	5% debentures	par
Nov.	Mexican Light and Power Co..........	480,000	7% gold cumulative convertible preference shares........	99
"	City of Vancouver....	244,900	4% debentures	91
Dec.	British Columbia Elec. Ry................	1000,00	Pref'd ordinary shares of £1 each.........	par
"	Dominion of Canada..	1,500,000	4% debentures	par
"	Canadian Pacific Ry.	4,857,200	Ordinary shares......	par
	Total, 1907.........	11,203,711		

1908

	Company	Amount	Security	Issued at
		£		
Jan.	Grand Trunk Pacific..	1,000,000	4% debenture stock...	94
"	Penmans, Limited....	300,000	5% first mortgage gold bonds..............	97½
Feb.	Dominion of Canada..	3,000,000	3½% redeemable stock	par
"	Grand Trunk Ry.....	1,000,000	4% guaranteed stock.	92½
"	Montreal Light, Heat & Power Co........	80,000	4½% first mortgage bonds..............	96½
"	Montreal Street Ry...	460,000	4½% sterling debentures...............	96
"	Richelieu & Ontario Navigation Co......	200,000	5% 30-year mortgage debentures.........	par
Mar.	Grand Trunk Pacific..	2,000,000	4% mortgage sterling bonds..............	94½
"	North of Scotland Canadian Mortgage Co.	175,000	In £10 shares.........	£12
"	City of Regina........	113,700	5% debentures........	par
April	Canadian Northern Ry	2,000,000	4% perpetual consolidated debenture stock	92
"	City of Edmonton....	187,400	5% debentures.......	101
"	Kaministiquia Power Co................	265,000	5% gold bonds.......	97
"	City of Montreal.....	1,000,000	4% stock............	99
May	Province of Manitoba.	308,500	4% debenture bonds..	99
"	City of Winnipeg.....	1,500,000	4% consolidated registered stock.........	96
June	British Columbia Elec. Ry.	200,000	Preferred and deferred shares of £1 each..	par
"	Dominion of Canada..	5,000,000	3½% stock..........	par
"	City of Quebec.......	71,000	4% debentures.......	par
		42,921	Consolidated stock...	91½
"	City of Saskatoon....	100,000	5% debentures.......	101
"	West Kootenay Power & Light Co........	240,000	1st mortgage 6% bonds	par
July	City of Calgary......	133,000	4½% debentures.....	96
"	Penmans, Limited....	170,000	6% cumulative preference shares........	£1
"	Toronto Power Co....	500,000	4½% debenture stock	98

1908—*Continued*

	Company	Amount	Security	Issued at
		£		
July	City of Vancouver....	405,000	4% sterling debentures	97
"	Western Canada Flour Mills Co...........	225,000	6% 1st mortgage bonds	par
Sept.	City of Victoria......	159,800	4% sterling debentures	98$\frac{1}{8}$
Oct.	Dominion of Canada..	5,000,000	3$\frac{1}{2}$% redeemable stock	par
"	Canada Iron Corp....	364,000	6% 1st mortgage sterling bonds.........	99$\frac{1}{8}$
Nov.	Canadian Northern Ry	1,027,400	4% 1st mortgage land grant bonds........	95
"	Grand Trunk Ry.....	598,400	Consolidated 1st mortgage 4% gold bond of the Canada Atlantic Railway.....	93
"	Prov. of Saskatchewan	410,900	4% bonds............	99$\frac{1}{2}$
"	City of Sherbrooke...	102,700	4$\frac{1}{2}$% debentures.....	104
Dec.	British Columbia Elec.	500,000	4$\frac{1}{4}$% perpetual consolidated debenture stock..............	99
"	Central Ontario Ry...	200,000	5% 1st mortgage bonds	99
"	City of St. John......	115,000	4% debentures.......	par
"	Trust & Loan Co. of Canada	200,000	In shares of £20......	....
	Total, 1908.........	29,354,721		

1909

	Company	Amount	Security	Issued at
		£		
Jan.	Alberta Provincial Gov	411,000	4% sterling debentures	99½
"	Montreal Water & Power............	[illegible]	4½% prior lien bonds	94
"	City of Montreal......	400,000	4% sterling registered stock..............	103
"	Montreal Cotton Co...	200,000	1st mortgage 5% debentures...........	97½
"	Dominion of Canada..	6,000,000	3½% bonds..........	99¼
Feb.	British - Canadian Asbestos Co..........	144,032	5% gold bonds.......	95
"	Grand Trunk Pacific..	1,000,000	4% debentures.......	90
"	Winnipeg Electric Ry.	300,000	4½% perpetual consolidated debenture stock..............	97
"	National Drug & Chemical Co. of Canada	300,000	6% cumulative 1st preference shares......	par
"	Dominion Oil Co......	120,000	In £1 shares.........	....
"	East Tilbury (Canada) Oil Fields..........	200,000	In £1 shares.........	....
Mar.	City of Winnipeg.....	500,000	4% consolidated registered stock......	par
"	Ymir Gold Mines.....	20,000	in 400,000 ordinary shares of 1/-.......	....
"	British Columbia Development Association	61,140	5% mortgage debenture stock.........	par
April	City of Calgary......	124,800	4½% debentures.....	103½
"	Lake Superior Corporation..............	1,028,806	1st mortgage 5% collateral trust bonds..	90
"	Province of Ontario...	820,000	4% registered stock..	102
May	Grand Trunk Pacific.	1,000,000	4% stock...........	97
	Canadian Mineral Rubber Co.........	170,000	6% 1st mortgage debenture stock......	98
"	City of Ottawa.......	156,900	4% debentures.......	103
	Dominion Mica Co....	15,000	7% 1st mortgage debenture stock......	par
"	Province of New Brunswick.........	450,000	4% registered stock..	....
"	British Columbia Fruitlands, Limited.	174,600	Shares of £1 each....	par

1909—*Continued*

	Company	Amount	Security	Issued at
		£		
June	Southern Alberta Land Co.	300,000	5% debenture stock	par
"	City of Toronto	394,100	4% general consolidated loan debentures	102½
"	Canadian Northern Ont. Ry.	800,000	4% perpetual consolidated debenture stock	92
"	Northern Light, Power & Coal Co.	411,522	5% 1st Mortgage 20-year gold bonds	90
"	Canadian Northern Ry	1,200,000	4% guaranteed 1st mortgage debenture stock	97½
July	City of Vancouver	286,400	4% debentures	101
"	Dominion Iron & Steel Co.	1,200,000	5% consolidated mortgage bonds	93
"	Standard Chemical Co of Toronto	100,000	5% 1st mortgage debenture stock	98½
"	City of Edmonton	187,300	4½% sterling debentures	102½
"	Grand Trunk Pacific	2,000,000	3% 1st mortgage bonds	82½
"	Dominion of Canada	6,500,000	3½% stock	98½
Oct.	Province of Manitoba	156,500	4% debentures	102
"	Canada Cement Co.	360,082	7% cumulative preference shares	93
"	Canadian Pacific Ry	6,000,000	Ordinary shares	125
"	Wisconsin Central Ry.	514,403	4% bonds	....
Nov.	Atlantic, Quebec & Western Ry.	175,000	5% 1st mortgage debenture bonds	98
"	Alberta & Great Waterways Ry.	1,520,550	5% 1st mortgage gold debenture bonds	110
"	Canadian Car & Foundry Co.	648,148	7% participating cumulative pref'nce stock	95
"	Canadian Northern Ry	850,000	4% perpetual consolidated debenture stock	93
Dec.	Manitoba & Saskatchewan Coal Co.	51,440	6% 1st mortgage sinking fund bonds	....
"	City of Fort William	60,000	4½% debentures	102½
	Total, 1909	37,411,723		

1910

	Company	Amount	Security	Issued at
		£		
Jan.	British Columbia Fruitlands	174,600	....	....
"	Province of Manitoba	1 000,000	4% debentures	....
"	Canadian Cement Co., Ltd.	205,500	Sinking fund debenture	par
"	Grand Trunk Pacific	1,000,000	4% debenture stock	92½
"	City of Calgary	325,400	4½% debentures	103½
"	Ocean Falls Co., Ltd.	300,000	6% 1st mortg'ge bonds	97
"	Dominion of Canada	4,000,000	3½% stock	99
Feb.	Canadian Car & Foundry Co., Ltd.	482,877	1st mortgage 6% gold bonds	....
"	City of Montreal (Town of St. Louis)	123,800	4½% bonds	109
"	Amalgamated Asbestos Corporation	624,480	Asbestos bonds	92½
Mar.	British Columbia Elec. Ry. Co., Ltd.	530,000	4¼% perpetual consolidated deben're stock	100
"	Canadian Northern Ry	1,000,000	4% ditto	95
"	West Canadian Collieries, Ltd.	200,000	6% 1st mortgage debenture	95
"	City of Winnipeg	500,000	4% consolidated registered stock	103
April	Canadian W'st'rn Lumber Co., Ltd.	1,500,000	1st mortgage debenture stock	88
"	Central Counties Ry. Co	97,500	4% 1st mortgage bonds	90
"	Western Canada Land Co., Ltd	300,000	5% debenture stock.	....
"	British Columbia Developm't Assoc., Ld	39,500	5% mortgage debenture stock	105
"	Dominion of Canada Trust Corpor., Ltd.	400,000	Ord. shares of £1 ea.	par
"	Grand Trunk Pacific Branch Lines Co.	1,270,500	1st mortgage sterling bonds	98½
"	Standard Oil Co. of Canada	160,000	....	par
"	Manitoba Province	1,000,000	4% bonds	103
May	Calgary Power Co., Ld	350,000	30-year gold bonds	92

1910—*Continued*

	Company	Amount	Security	Issued at
		£		
May	Canadian & Empire Investment Trust Co., Ltd.	250,000	£10 shares	par
"	Duluth, Winnipeg & Pacific Ry. Co.	950,000	4% 1st mortgage debenture stock	92½
"	Nova Scotia Steel & Coal Co., Ltd.	309,000	5% 1st mortgage 50-year gold bonds	95
"	Dominion of Canada	5,000,000	3½% stock	99½
"	Canadian Oil Producing & Refining Co., Ltd.	75,000	£1 shares	par
"	Canadian Collieries (Dunsmuir), Ltd.	2,054,800	5% 1st mortgage gold bonds	....
"	Oklahoma Oil Co.	67,000	....	....
June	British Empire Timber Co.	500,000	7% preference shares	97½
"	City of Edmonton	238,000	4½% debentures	103
"	City of Vancouver	453,600	4% registered stock	100½
"	The Molsons Bank	100,000	Capital stock	....
"	Pryce Jones (Canada) Ltd.	70,000	6% participating cumulative pref'nce shares	par
"	Dominion Sawmills & Lumber Co., Ltd.	800,000	6% 1st mortgage debentures	95
July	Union Life Assurance Co. of Canada	205,761	$100 shares £24-	12-0
"	British Columbia Mines, Land & General Finance Co.	100,000	£1 shares	par
"	City of Fort William	105,100	4½% debentures	101½
"	Steel Co. of Canada, Ld	924,600	6% 1st mort'ge and colaterial Trust bonds	110
"	Algoma Central & Hudson Bay Ry.	770,000	5% 1st mortgage 50-year gold bonds	90
"	Swanson Bay Forests, Woodpulp and Lumber Mills, Ltd.	150,000	6% 1st mortgage sterling bonds	....
"	Grand Trunk Pacific	2,000,000	3% 1st mortgage sterling bonds	82½

1910—*Continued*

	Company	Amount	Security	Issued at
		£		
July	British Columbia Goldfields Co. of Canada, Ltd	40,000	....	par
"	National Drug & Chemical Co. of Canada, Ltd	49,370	6% cumulative 1st preference shares	....
Aug.	Noiseless Typewriter Co	20,000	7% cumulative preferred stock carrying bonus of 75% common stock	....
"	City of Regina	93,600	4½% debentures	101
Sep.	British Columbia Electric Ry	600,000	200,000 5% cumulative preferred shares	21s.
			200,000 preferred ordinary shares	22s.
			200,000 defer'd shares	20s.
Oct.	City of Montreal	1,000,000	4% sterling registered stock	101½
Nov.	Lake Superior Iron & Chemical Co	616,420	6% 1st mortgage gold bonds	par
"	Canadian Mills & Timber, Ltd	100,000	....	par
"	Price Bros. & Co., Ltd	1,000,000	5% 1st mortgage bonds	87
"	Moose Jaw City	101,300	4½% debentures	101½
"	City of Saskatoon	88,600	4½% bonds	101½
"	Canadian North Pacific Fisheries, Ltd	400,000	5% 1st mortgage debentures	86
"	Hawthorne Silver and Iron Mines, Ltd	100,000	....	par
"	British Columbia Elec. Ry. Co., Ltd	600,000	5% cumulative preference shares	....
"	Anglo Canadian Land Co., Ltd	475,500	£1 shares	par
Dec.	Province of Saskatchewan	1,000,000	4% registered stock	101
"	Western Canada Bag & Envelope Co	12,000	....	....

1910—*Continued*

	Company	Amount	Security	Issued at
		£		
Dec.	British Canadian Trust Co.	250,000	....	....
"	Dominion of Canada Investment & Debenture Co.	250,000	....	....
"	British Columbia Mines, Land & General Finance Co.	100,000	....	....
"	Dominion Sawmills & Lumber Co.	800,000	....	....
	Total, 1910	38,453,808		

1911

	Company	Amount	Security	Issued at
		£		
Jan.	Canadian Wheatlands, Ltd.	350,000	....	par
"	Alberta Province	1,400,000	4% 6 months Treasury bills	....
"	Grand Trunk Railway	750,000	4% perpetual consolidated debenture stock	par
"	City of Westmount, Que.	500,000	4% debentures	101½
Feb.	Town of Maisonneuve, Que.	879,000	4½% debentures	102½
"	City of Victoria, B.C.	117,500	4% sterling debentures	98½
"	Trust & Loan Co. of Canada	300,000	....	....
"	Minnesota & Ontario Power Co.	100,000	6% 1st mortgage gold bonds	par
"	Scottish and Canadian General Investment Co.	250,000	....	....
"	Port Arthur, Ont.	110,700	4½% debentures	....
Mar.	Canadian Steel Foundries	410,900	Guaranteed by Canadian Car & Foundry Co.	...
"	Grand Trunk Pacific	696,000	4% mortgage sterling bonds	92
"	Canadian Northern Ry	358,888	3½% guaranteed 1st mortgage debenture stock	94½
"	Bell Telephone Co. of Canada, Ltd.	250,000	5% bonds	102
"	P. Burns & Co., Ltd.	200,000	6% 20 years sinking fund bonds	....
"	Lake Superior Paper Co., Ltd.	719,000	6% 30 year gold bonds	97
"	Spanish River Pulp & Paper Mills	267,000	6% 1st mortgage sinking fund gold bonds	98½
"	Standard Chemical Iron & Lumber Co. of Canada	200,000	7% cumulative preference stock	100

1911—*Continued*

	Company	Amount	Security	Issued at
		£		
Mar.	City of Hamilton.....	204,100	4% debenture........	100½
April	Western Canada Investment Co., Ltd..	200,000	5% cumulative preference shares........	par
"	Canadian Northern Ry	1,543,209	5% convertible debenture stock..........	98
"	North Saskatchewan Land Co., Ltd......	450,000	50 year sterling bonds	97½
"	Investment Corporation of Canada.....	500,000	£10 shares	par
"	Ontario Porcupine Goldfields Development Co..........	600,000	£1 shares	par
"	City of Vancouver....	579,000	4% bonds.	100½
"	Canadian Cottons, Ltd.	370,000	5% 1st mortgage gold sinking fund bonds.	93
"	Anglo Canadian Timber Co. of B.C.....	225,000	6% 1st mortgage debentures...........	95
"	Columbia River Lumber Co............	600,000	5% 1st mortgage bonds	89
"	City of Quebec.......	215,700	4% bonds............	100½
"	British Columbia Electric Ry. Co.........	600,000	....	....
	Total........	13,945,997		

The following list of Canadian Flotations in London was compiled as this volume was going to press:—

1911

	Company	Amount	Security	Issued at
		£		
May	Canada Provident Investment Corp......	400,000	5% cumulative preference shares........	par
"	British Canadian Lumber Corporation....	800,000	6% cumulative preference shares........	par
"	British Canadian & General Investment Co., Ltd..........	350,000	£1 shares..........	par
"	City of Winnipeg	900,000	4% consolidated registered stock......	100
"	Cockshutt Plow Co...	750,000	7% cumulative preference shares	£20-11-6
"	Ames-Holden-McCready, Ltd.....	205,500	6% 30-year first mortgage sinking fund bonds.......	101
"	Canadian Timber Investment Co., Ltd..	150,000	£1 shares..........	par
"	Dominion of Canada Investment & Debenture Co., Ltd...	150,000	4% debenture stock..	99
"	City of Calgary......	414,700	4½% debentures.....	103
"	Cascade Water, Power & Light Co., Ltd...	57,100	4½% first mortgage bonds...	£90 per $500
"	London & Briti'h North America Co., Ltd...	500,000	£10 shares..........	par
"	Pryce-Jones (Canada) Ltd...............	100,000	6% first mortgage debenture stock......	par
June	Belding, Paul & Corticelli Silk Co., Ltd..	154,100	5% first convertible debentures.........	90
"	Steel Co. of Canada Ltd...............	200,000	7% cumulative preferred stock	94
"	National Land Fruit & Packing Co., Ltd.	150,000	7% cumulative participating preference shares............	par

1911—*Continued*

	Company	Amount	Security	Issued at
		£		
June	E. H. Heaps & Co., Ltd.	300,000	5% first mortgage bonds	95
"	Toronto Suburban Ry. Co.	540,000	4½% first mortgage debenture stock	93½
"	Province of Ontario	600,000	4% registered stock	101
"	Prince Rupert Hydro-Electric Co.	500,000	5% first mortgage bonds with a 40% bonus of common stock	92½
"	Canadian Pacific Ry.	1,232,200	4% consolidated debentures	....
July	Burnaby, B.C.	118,300	4½% debentures	100
"	Canadian Pacific Lumber Co., Ltd.	350,000	6% first mortgage bonds	93
"	Dominion Sawmills & Lumber Co., Ltd.	1,027,500	7% participating cumulative preference shares	97½
"	South Vancouver, B.C.	310,239	4% consolidated stock	96½
"	Edmonton, Alta.	302,000	4½% debentures	103
"	Algoma Eastern Ry. Co.	513,600	5% first mortgage gold bonds	93
"	Mond Nickel Co.	250,000	5% first mortgage debenture stock	par
"	New Westminster, B.C.	120,600	4½% debentures	101½
"	B.C. Electric Ry.	600,000	5% cumulative preference shares	....
"	Canadian & American Mortgage & Trust Co.	100,000	Shares to existing shareholders	....
"	Central Ry. of Canada	600,000	5% first mortgage bonds	93
	Total	12,645,847		

There were no flotations from July 31 to August 21

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